

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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Markit Flash Eurozone PMI[®]

Eurozone recovery gains momentum with fastest growth for over two years

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 51.7 (50.5 in July). 26-month high.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 51.0 (49.8 in July). 24-month high.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 51.3 (50.3 in July). 26-month high.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 53.4 (52.3 in July). 27-month high.

Data collected 12-21 August.

The **Markit Eurozone PMI[®] Composite Output Index** signalled the largest monthly increase in business activity for over two years in August, according to the flash estimate. The PMI rose for the fifth successive month, up from 50.5 in July to 51.7, the highest since June 2011. The above-50 readings signal two consecutive months of rising output, in contrast to declining business levels over the prior 17 months.

Markit (Flash) Eurozone PMI and GDP



Source: Markit, Eurostat. GDP = gross domestic product

Both manufacturing and services reported higher output in August, with goods producers reporting the larger increase. Manufacturers reported the fastest growth of output since May 2011, while service sector activity showed the largest increase since August 2011.

New orders rose marginally, the small increase nevertheless being significant in indicating the first improvement in demand for goods and services since July 2011.

New orders for manufactured goods rose for the second consecutive month, growing at the sharpest rate since May 2011. Rising export sales were also reported for the second month in a row. New business continued to fall in the service sector, though the decline was only marginal and the smallest in the current two-year sequence.

Employment fell for the twentieth successive month, with rates of job losses accelerating slightly in both manufacturing and services compared with July. However, the overall rate at which headcounts are falling has eased since earlier in the year. With backlogs of work falling only slightly in August, pressure to cut workforce numbers is likely to ease further in September.

Input costs rose at the fastest rate since January, buoyed to a large extent by higher oil and fuel prices. In contrast, output prices continued to fall, due in many cases to companies offering discounts to boost sales. The drop in rates charged was the smallest since May of last year, however, as companies also cited the need to pass rising costs on to customers, especially in manufacturing.

Germany saw output rise at the fastest rate since January as new orders posted the second-largest rise seen over the past two years. In manufacturing, the PMI rose to a 25-month high, while services growth was the strongest for six months.

In contrast, **France** registered a faster drop in output than in July. Services activity fell at a sharper rate and there was a renewed decline in manufacturing output, but the overall downturn in manufacturing (as signalled by the PMI) held steady at a marginal pace.

Output across the **rest of the eurozone** rose for the first time since May 2011. Growth of both

manufacturing output and services activity was recorded, with the former rising for the second successive month and the latter showing the first increase since May 2011.

Commenting on the flash PMI data, **Chris Williamson, Chief Economist at Markit** said:

“The euro area’s economic recovery gained momentum in August, with manufacturing and service sector companies reporting the strongest pace of expansion for just over two years.

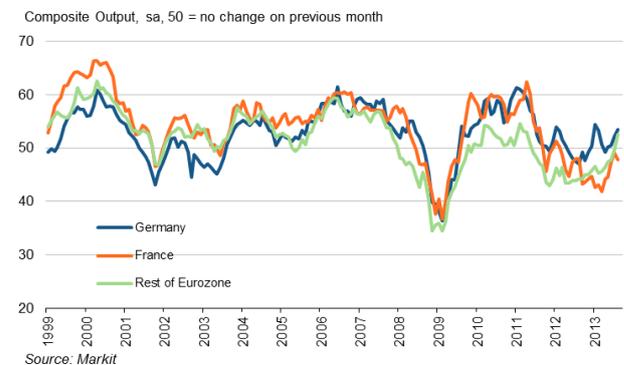
“So far, the third quarter is shaping up to be the best that the euro area has seen in terms of business growth since the spring of 2011. The economic picture from the surveys is therefore coming into line with policymakers’ expectations of a modest yet still fragile return to growth.

“The upturn is being led by Germany, where growth accelerated again in August, driven in turn by rising domestic and export demand. A big question mark still hangs over France’s ability to return to sustained growth. Although the French PMI is well above the lows seen earlier in the year, August saw a slight steepening in the rate of contraction, notably in services – which points to lacklustre domestic demand.

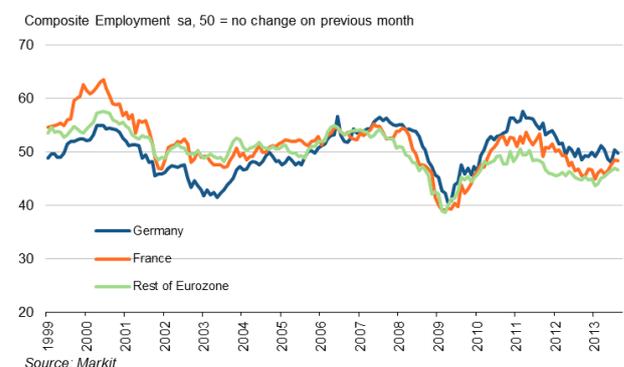
“The dataflow continued to improve outside of France and Germany, suggesting that a long-awaited recovery seems to be taking shape in the ‘periphery’. Output and orders rose at the strongest rates since early-2011, with a broad-based improvement in domestic and export sales suggesting that the recovery is also looking more sustainable.”

-Ends-

Core v. Periphery PMI Output Indices



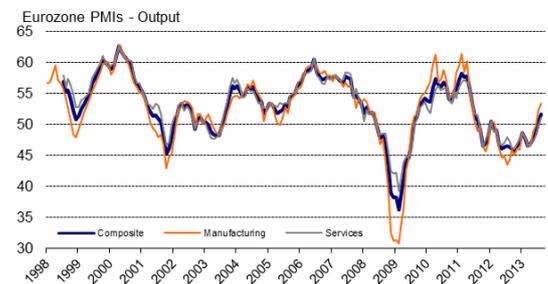
Core v. Periphery PMI Employment Indices



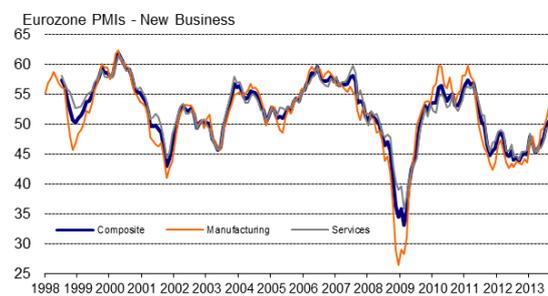
Summary of August data

Output	Composite	Output increases for second month running; strongest rate since June 2011.
	Services	Activity increases for first time since January 2012.
	Manufacturing	Output growth at 27-month high.
New Orders	Composite	New business grows for first time since July 2011.
	Services	New business declines at weakest rate in current two-year sequence.
	Manufacturing	New orders grow at fastest rate since May 2011.
Backlogs of Work	Composite	Backlogs fall at slowest rate in current 26-month sequence.
	Services	Outstanding business falls only marginally.
	Manufacturing	Backlogs rise fractionally since July.
Employment	Composite	Jobs decline at slightly faster rate than in July.
	Services	Employment declines at broadly stable rate.
	Manufacturing	Jobs decline at faster rate than in July.
Input Prices	Composite	Input prices rise at fastest rate since January.
	Services	Input price inflation at eight-month high.
	Manufacturing	Input prices unchanged since July.
Output Prices	Composite	Output prices fall for seventeenth month running.
	Services	Charges decline at weakest rate since May 2012.
	Manufacturing	Factory gate prices broadly unchanged since July.
PMI⁽³⁾	Manufacturing	PMI rises to 26-month high of 51.3.

Output



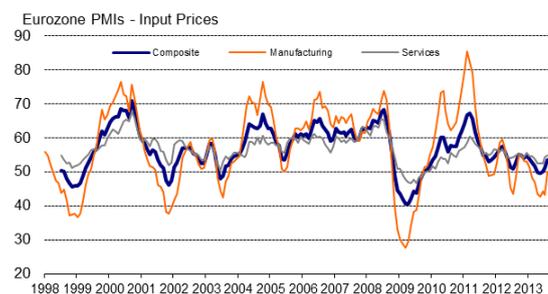
New business



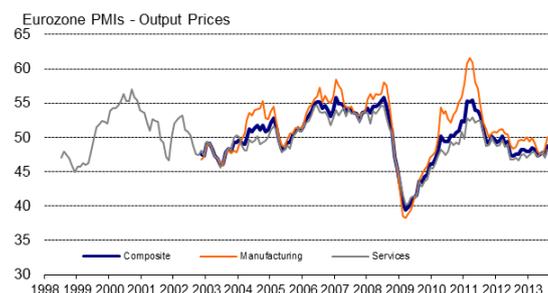
Employment



Input prices



Output prices



Source: Markit.

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Note to Editors:

Final August data are published on 2 September for manufacturing and 4 September for services and composite indicators.

The Eurozone *PMI*[®] (*Purchasing Managers' Index*[®]) is produced by Markit and is based on original survey data collected from a representative panel of around 5,000 companies based in the euro area manufacturing and service sectors. National manufacturing data are included for Germany, France, Italy, Spain, the Netherlands, Austria, the Republic of Ireland and Greece. National services data are included for Germany, France, Italy, Spain and the Republic of Ireland. The flash estimate is typically based on approximately 85%–90% of total *PMI* survey responses each month and is designed to provide an accurate advance indication of the final *PMI* data.

The average differences between the flash and final *PMI* index values (final minus flash) since comparisons were first available in January 2006 are as follows (differences in absolute terms provide the better indication of true variation while average differences provide a better indication of any bias):

Index	Average difference	Average difference in absolute terms
Eurozone Composite Output Index ¹	0.0	0.2
Eurozone Manufacturing <i>PMI</i> ²	0.0	0.2
Eurozone Services Business Activity Index ²	0.1	0.3

The *Purchasing Managers' Index*[®] (*PMI*[®]) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. *PMI*[®] surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@markit.com.

Notes

1. The Composite Output *PMI* is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.
2. The Services Business Activity Index is the direct equivalent of the Manufacturing Output Index, based on the survey question "Is the level of business activity at your company higher, the same or lower than one month ago?"
3. The Manufacturing *PMI* is a composite index based on a weighted combination of the following five survey variables (weights shown in brackets): new orders (0.3); output (0.25); employment (0.2); suppliers' delivery times (0.15); stocks of materials purchased (0.1). The delivery times index is inverted.
4. The Manufacturing Output Index is based on the survey question "Is the level of production/output at your company higher, the same or lower than one month ago?"

About Markit

Markit is a leading, global financial information services company with over 3,000 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information, see <http://www.markit.com/en/>.

About PMIs

Now available for 32 countries and key regions including the Eurozone, *Purchasing Managers' Index*[®] (*PMI*[®]) surveys have become the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/economics.

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