

News Release

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

Eurozone growth stuck at two-year low as inflows of new work show renewed contraction

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 51.1, unchanged from July.
- Flash Eurozone Services PMI Business Activity Index⁽²⁾ at 51.5 (51.6 in July). 23-month low.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 49.7 (50.4 in July). 23-month low.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 50.0 (50.2 in July). 25-month low.

Data collected 12–22 August.

The **Markit Flash Eurozone PMI[®] Composite Output Index**, based on around 85% of usual monthly replies, was unchanged at 51.1 in August. The latest reading signalled a rate of increase identical to July's twenty-two month low and a further near-stagnation of private sector output.

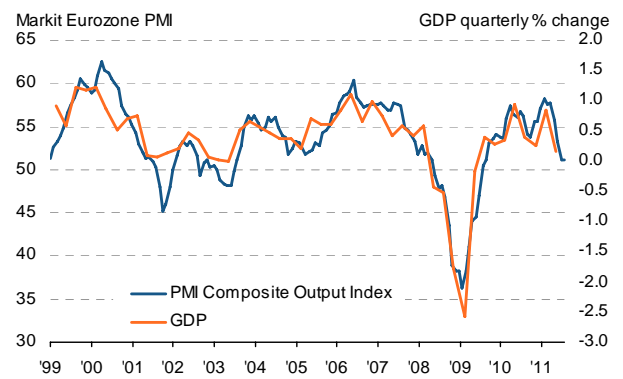
Services output grew only modestly, posting the smallest increase in activity since September 2009. Meanwhile, manufacturing output stagnated, showing no growth for the first time in just over two years.

Output across both sectors rose only very modestly in Germany, showing the weakest rate of expansion since the country's recovery began two years ago. A slowdown to near-stagnation was seen in the German service sector while manufacturing output growth gained momentum, but nevertheless posted the second-weakest reading in the past 23 months.

Growth picked up in France, but was up only slightly from July's 23-month low. The French service sector saw growth recover to the pace seen in June, but manufacturing output fell for the first time since June 2009.

Outside the Eurozone's two largest economies output fell for the third successive month, though the rate of decline eased slightly, reflecting a moderation in the rate of service sector contraction. Manufacturing output fell at the fastest rate for two years.

Markit Eurozone PMI and GDP

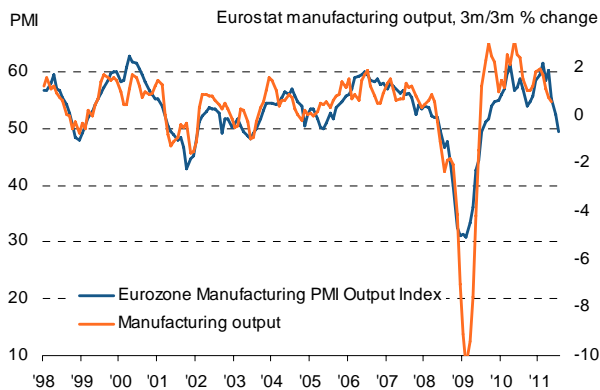


New orders fell marginally, contracting for the first time since August 2009. Weaker growth of services new business (the smallest rise since September 2009) was accompanied by the fastest drop in manufacturing new orders since June 2009 (and the third successive monthly decline). Manufacturers reported that new export orders had fallen for the second month running, with the rate of decline also the fastest since June 2009.

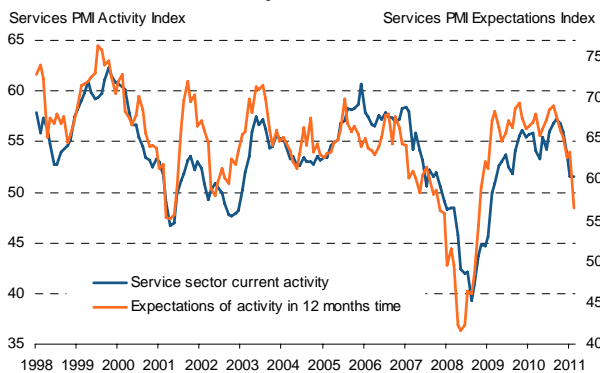
Employment continued to rise, but the rate of job creation was the weakest since last October. Service sector headcounts rose at the slowest rate since January, whereas in manufacturing the rise was the fastest in three months.

The reduced rate of payroll growth in part reflected a second consecutive month of falling **backlogs of work**, which declined at the fastest rate since November 2009. Lower levels of outstanding work usually indicate that existing capacity is more than sufficient to meet current demand. Backlogs fell at sharper rates in both services and manufacturing.

Markit Eurozone PMI and manufacturing output

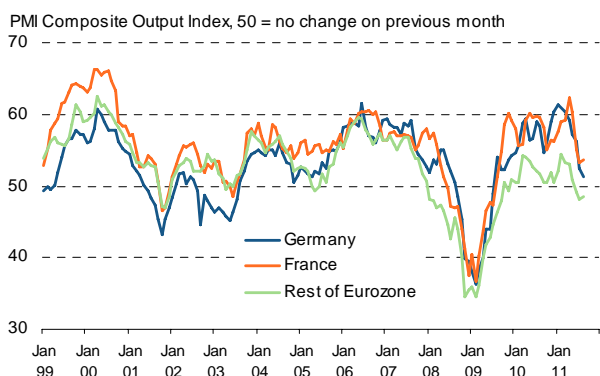


Service sector activity



Looking ahead, the index measuring **expectations of service sector activity** in the coming year dropped sharply to its lowest since April 2009. In the 13-year history of the survey, the month-on-month decline in the index was exceeded only by the drops seen in October 2008 and October 1998. Meanwhile, the **ratio of manufacturing new orders to inventories**, which acts as a guide to near-term output developments, fell for the sixth month in a row to its lowest since April 2009.

Core v. Periphery PMI Output Index

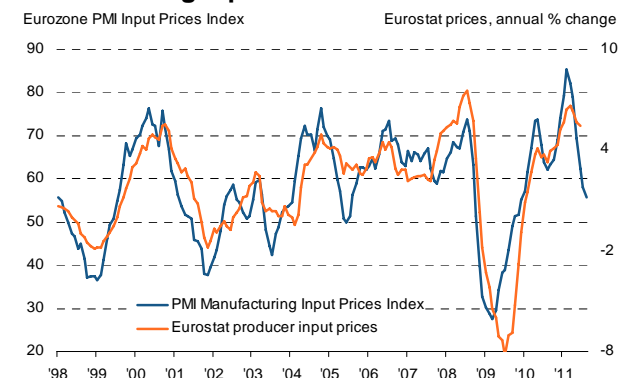


Price pressures eased markedly during the month. Average **prices charged** for goods and services showed only a modest increase, the rate of inflation

moderating further from April's high to reach a nine-month low. Service sector charges showed a particularly weak rise, the smallest monthly gain since services charges began rising in February. But it is in manufacturing where the steepest turnaround in price pressures has been evident. Prices charged for goods showed the smallest monthly increase for a year in August, in marked contrast to the survey-record high seen back in March.

The slower rate of increase of selling prices reflected a combination of sluggish demand and a further substantial easing in **input price** inflation. Service sector input costs rose at the slowest pace for ten months, while manufacturers' input price inflation eased to a 20-month low, taking the overall rate of increase across both sectors down to the weakest since February of last year.

Manufacturing input costs



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

"The Eurozone economy grew only marginally again in August, suggesting that recent months have seen the weakest expansion for two years. The data raise the prospect that economic growth in the third quarter could be even slower than the disappointing 0.2% rise seen in the three months to June. Most worrying is the near-stagnation in Germany, which suggests that the region's main engine of growth has stalled.

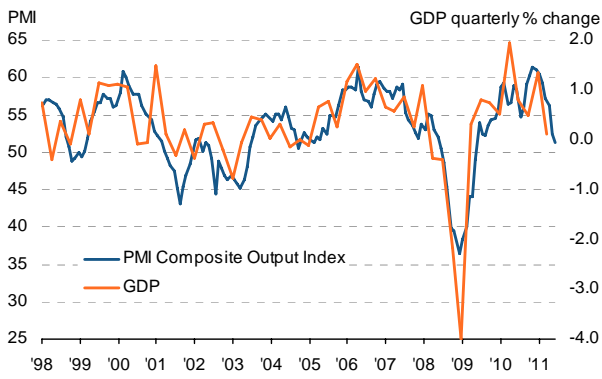
"A number of factors have hit growth, including a downturn in global demand, which caused exports of goods to fall at the fastest rate for over two years, and growing concerns about the economic outlook and the euro area's financial crisis, which caused business confidence to plunge. Most notable was a record fall in business confidence in the German service sector.

"With forward-looking indicators such as business confidence and new orders falling further, it is likely

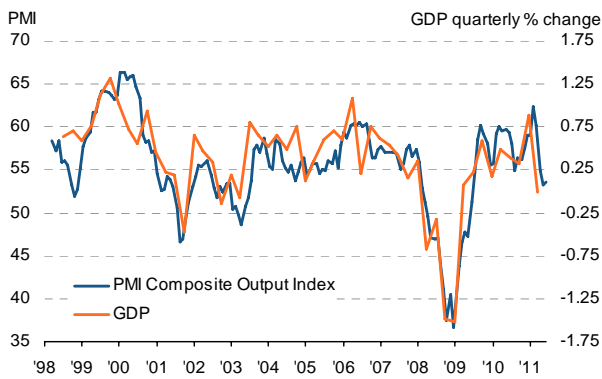
that the survey data will continue to turn down in September.”

-Ends-

German PMI and GDP



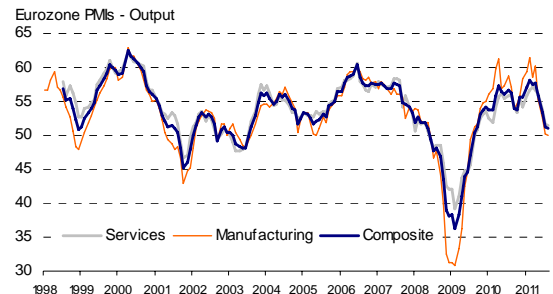
France PMI and GDP



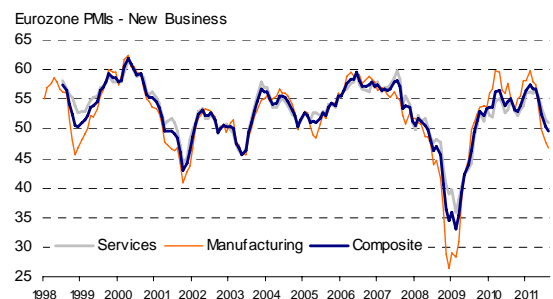
Summary of August data

Output	Composite	Growth was joint-slowest since September 2009 (unchanged from July's 51.1).
	Services	Growth slowed marginally to weakest since September 2009 (51.5 from 51.6 in July).
	Manufacturing	Output unchanged from July (50.0, from 50.2).
New Orders	Composite	New business fell for first time since August 2009.
	Services	Growth was weakest since September 2009.
	Manufacturing	New orders fell for third month running, at fastest rate since June 2009.
Backlogs of Work	Composite	Outstanding business fell for second month running.
	Services	Second successive monthly decline.
	Manufacturing	Backlogs fell for third month running, at faster rate.
Employment	Composite	Pace of job creation eased to ten-month low.
	Services	Weakest employment growth since January.
	Manufacturing	Employment rose at strongest rate in three months.
Input Prices	Composite	Input price inflation eased to 18-month low.
	Services	Pace of inflation slowed to ten-month low.
	Manufacturing	Input cost inflation slowed to weakest in 20 months.
Output Prices	Composite	Output price inflation eased to nine-month low.
	Services	Weakest rise in charges of current seven-month sequence.
	Manufacturing	Weakest rise in charges for 12 months.
PMI⁽³⁾	Manufacturing	PMI fell below 50.0 for first time since September 2009 (49.7, from 50.4).

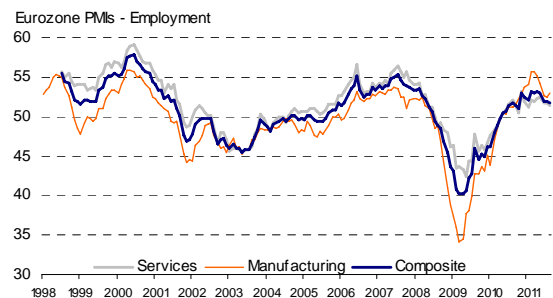
Output



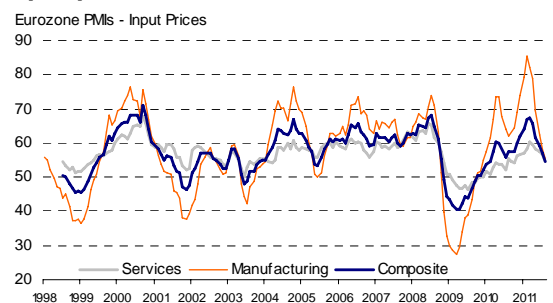
New business



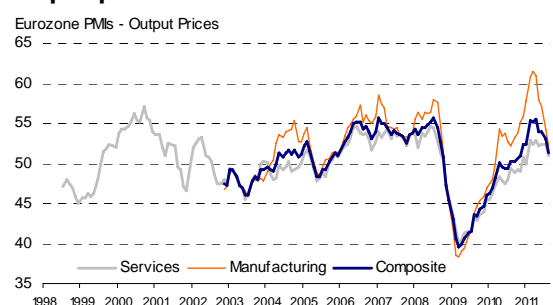
Employment



Input prices



Output prices



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Note to Editors:

Final August data are published on 1 September for manufacturing and 5 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 4,500 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> ³	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 2,200 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

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