News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0900 (UK Time) 15 December 2011

Markit Flash Eurozone PMI®

Eurozone sees worst quarter for 2½ years despite rate of decline easing in December

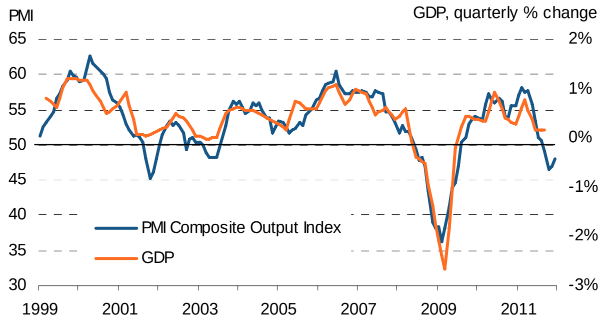
- Flash Eurozone PMI Composite Output Index[1] at 47.9 (47.0 in November). 3-month high.
- Flash Eurozone Services PMI Activity Index[2] at 48.3 (47.5 in November). 3-month high.
- Flash Eurozone Manufacturing PMI [3] at 46.9 (46.4 in November). 2-month high.
- Flash Eurozone Manufacturing PMI Output Index[4] at 47.1 (45.7 in November). 3-month high.

Data collected 05–14 December.

The **Markit Eurozone PMI® Composite Output Index** signalled contraction for the fourth successive month in December, according to the preliminary 'flash' reading which is based on around 85% of usual monthly replies. However, the index rose from 47.0 in November to 47.9, indicating an easing in the rate of decline for the second month in a row and the smallest fall in output for three months.

Despite the easing in the rate of decline, the average index reading for the final three months of 2011 was the weakest since the second quarter of 2009, and consistent with a marked contraction in the euro area economy.

Markit (Flash) Eurozone PMI and GDP

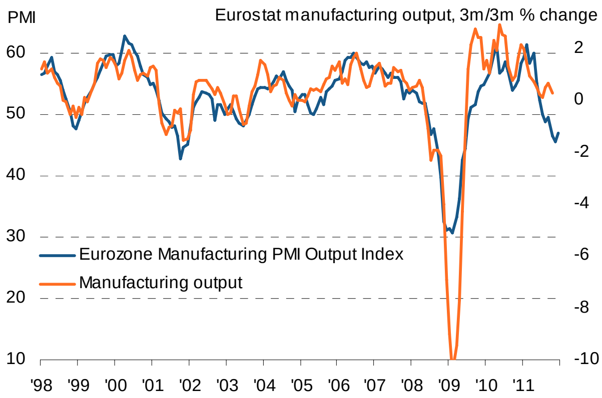


Sources: Markit, Eurostat. GDP = gross domestic product.

Manufacturing output fell for the fifth successive month, while services activity dropped for the fourth month. In both cases the rate of decline eased, reflecting slower contractions in new business. Measured overall, new work fell for the fifth consecutive month, though the rate of decline eased a little further from October's post-recession record.

Manufacturing new orders fell particularly steeply again, dropping at a rate only slightly weaker than November's two-and-a-half year record. This was linked in part to a further marked fall in new export business.

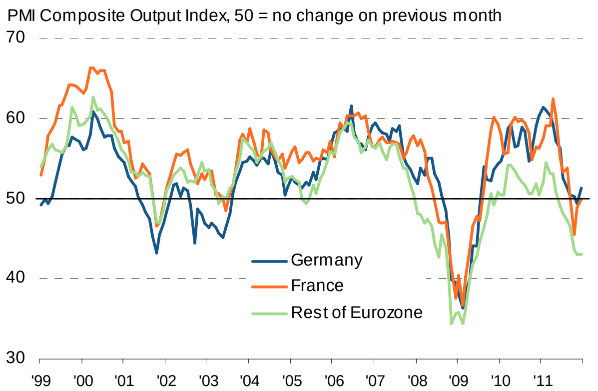
Eurozone manufacturing



Sources: Markit, Eurostat via Ecowin.

By country, Germany saw modest growth of output, reversing the decline seen in November. The rate of contraction in France slowed to a marginal pace. Both countries saw manufacturing output continue to fall, albeit at reduced rates. Elsewhere in the Eurozone activity fell sharply, declining at a rate only marginally weaker than November's two-and-a-half year record. This was led by an accelerated rate of decline in the service sector.

Core v. Periphery PMI Output Index



Source: Markit.

compiled by markit

Expectations for growth over the coming year among service providers remained very weak by historical standards of the survey. Sentiment was identical to November, and up slightly on October, but still at a level not seen in the history of the survey prior to the collapse of Lehman's. The outlook in Germany was neutral, while improved optimism in France was offset by a steep drop in expectations elsewhere to the lowest since February 2009.

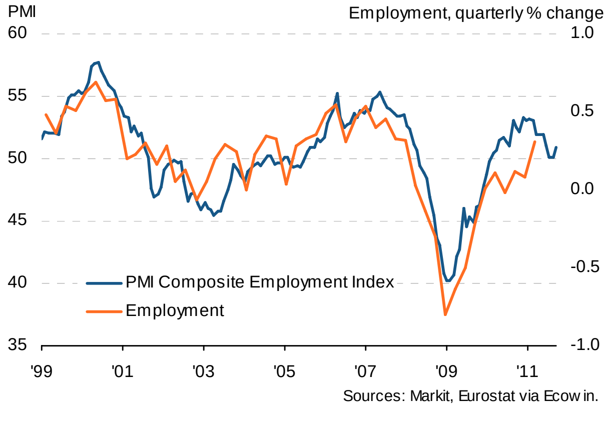
Expectations for growth over the coming year

At the composite level, **backlogs of orders** in the Eurozone fell for the sixth successive month. Although the rate of depletion eased compared with November, the pace remained steep by historical standards of the survey, especially in manufacturing, where goods producers reported the steepest fall in backlogs of work for two and a half years.

Manufacturers reduced their **inventories** to match the reduced order book pipeline. Stocks of raw materials showed the largest fall since February 2010, while stocks of finished goods showed the largest decline since March.

Having slowed to near-stagnation in October and November, **employment** growth picked up in December but remained only very modest. The fastest rate of job creation for four months in services was offset by a marginal decline in the size of the manufacturing workforce for the second month running. Strong job creation in Germany and a robust increase in France contrasted with marked job losses in the rest of the Eurozone as a whole.

Employment

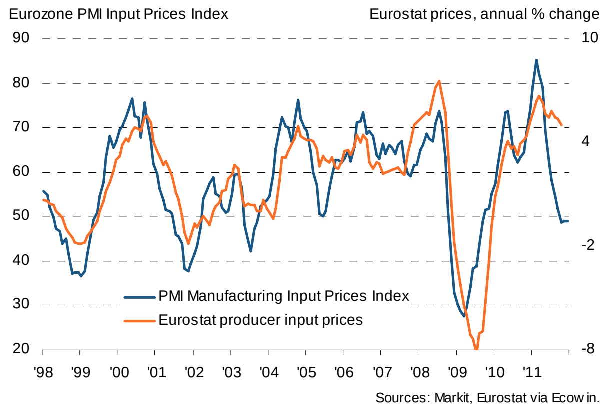


Sources: Markit, Eurostat via Ecowin.

Prices charged by companies for their goods and services fell marginally for the third time in the past four months, reflecting weak demand but also the recent moderation of input cost inflation. Average **input costs** rose at a slightly faster pace than in the previous two months, but the rate of increase remained well below that seen earlier in the year and below the survey's long-run average.

Manufacturers' output prices rose only very slightly as their input costs fell for the third successive month. Meanwhile, prices charged for services fell as companies often struggled to compete amid weak demand in home markets. This was despite an increase in costs in the sector, which largely reflected higher energy bills.

Manufacturing input costs



Sources: Markit, Eurostat via Ecowin.

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

"The Eurozone suffered its worst quarter for two and a half years in the final three months of 2011, with the PMI data suggesting that the region's economy is likely to have contracted by 0.6%.

"A slight easing in the rate of contraction for the second month in a row in December provides some hope that the rate of decline may weaken further as we move into the new year. But another quarter of decline cannot be ruled out, especially given the ongoing fall in new orders for goods and services, low levels of business confidence and signs of distress in the periphery.

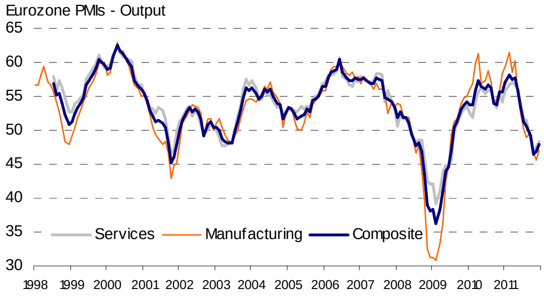
"The December survey revealed a widening contrast of performance within the Eurozone. Germany is likely to have stagnated in the fourth quarter, though an encouraging return to growth was evident in December. France, meanwhile, saw an easing in its rate of decline in the final month of the year to a marginal pace. Both countries also saw faster hiring by companies as business confidence for the year ahead generally improved. Elsewhere in the Eurozone, however, the rate of contraction remained steep – the fastest since mid-2009 – and a further slump in business confidence led to another sharp drop in employment."

-Ends-

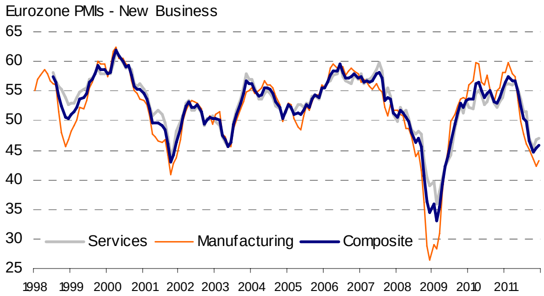
Summary of December data

Output	**Composite**	**Output fell for fourth month running, but at slower pace (47.9).**
	Services	Activity down for fourth straight month, but at slower pace.
	Manufacturing	Fifth successive monthly drop in output, but at weaker rate.
New Orders	**Composite**	**New business fell further, but at slowest rate since September.**
	Services	New business declined for fourth successive month.
	Manufacturing	New orders down for seventh month running.
Backlogs of Work	**Composite**	**Outstanding business down for sixth straight month.**
	Services	Sixth successive monthly decline, but at weaker rate.
	Manufacturing	Backlogs fell for seventh month running.
Employment	**Composite**	**Employment rose marginally.**
	Services	Fastest rise in employment since August.
	Manufacturing	Employment fractionally lower than in November.
Input Prices	**Composite**	**Input price inflation accelerated to three-month high.**
	Services	Input cost inflation rose slightly for second month running.
	Manufacturing	Input prices fell for third month running, albeit modestly.
Output Prices	**Composite**	**Output prices down slightly for third time in four months.**
	Services	Charges fell for third time in four months.
	Manufacturing	Charges rose at fastest rate in three months.
PMI[3]	Manufacturing	PMI remained below 50.0 for fifth month running, but rose since November (46.9, from 46.4).

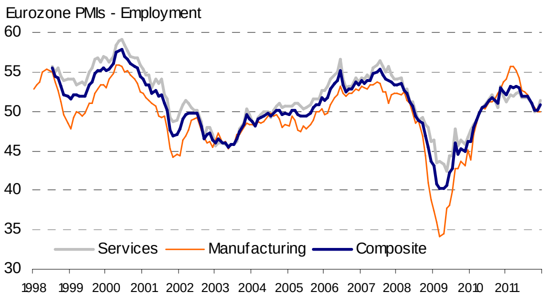
Output



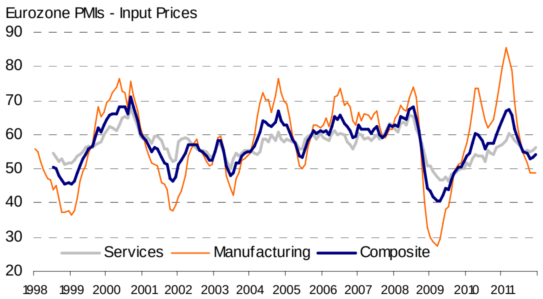
New business



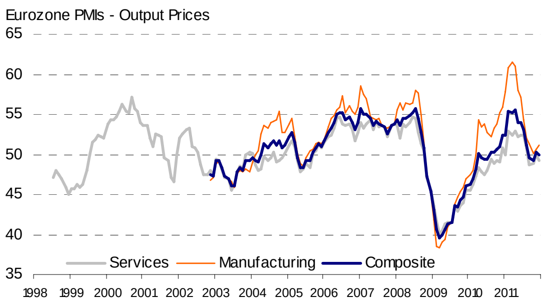
Employment



Input prices



Output prices



Source: Markit.

For further information, please contact:

Markit

Chris Williamson, Chief Economist
Telephone +44-20-7260-2329
Mobile +44-779-555-5061
Email chris.williamson@markit.com

Rob Dobson, Senior Economist
Telephone +44-1491-461-095
Mobile +44-782-691-3863
Email rob.dobson@markit.com

Rachel Harling, Corporate Communications
Telephone +44-20-7064-6283
Mobile +44-782-7891-072
Email rachel.harling@markit.com

Note to Editors:

Final December data are published on 2 January for manufacturing and 4 January 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 *PMI*[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 2,300 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.