

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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Markit Eurozone Composite PMI[®] – final data

Eurozone growth slides to 20-month low in June

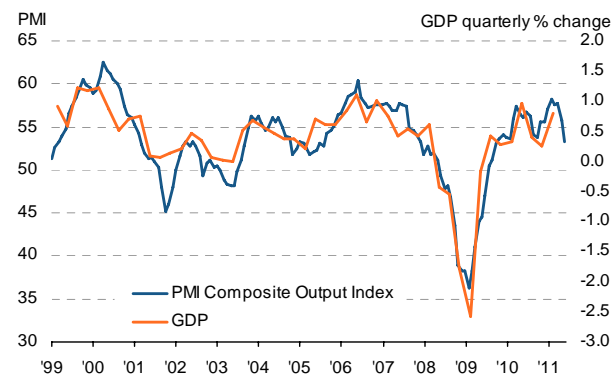
Key points:

- Eurozone growth weakest since October 2009.
- Recoveries slow in France and Germany while Spain and Italy slip back into contraction.
- Job creation at eight-month low as headcounts fall in Italy, Spain and Ireland.
- Cost pressures fall further from March peak.

At 53.3, down from 55.8 in May, the **Final Eurozone PMI[®] Composite Output Index** fell to a 20-month low in June. The index was below the earlier flash estimate of 53.6, and the fall since May signalled the steepest monthly slowdown in the rate of expansion since November 2008. The index has fallen sharply since hitting a four-and-a-half year peak in February, but has nevertheless signalled growth for 23 consecutive months.

The slower expansion of output reflected a similar marked easing in growth of incoming new business, which showed the smallest monthly rise since November 2009 (and a slightly smaller rise than signalled by the flash estimate).

Economic Growth



Sources: Markit, Eurostat.

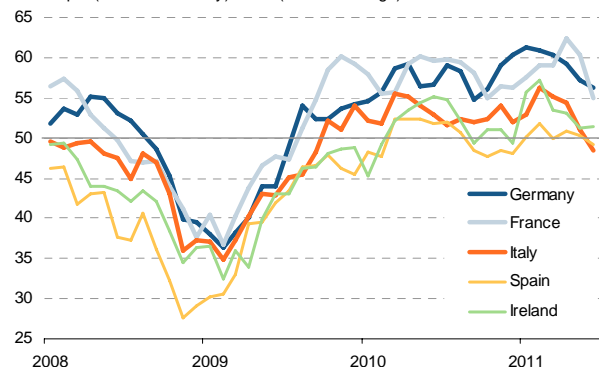
Manufacturing output rose at the weakest rate since September 2009, while services grew at the slowest pace since last October. The former recorded the weaker rate of expansion, reflecting the first decline in new orders since July 2009.

Manufacturers also reported a near-stalling of new export orders. New business growth in services was maintained, but at the weakest rate in seven months.

By country, data for the four largest euro countries showed that output fell in both Italy and Spain while growth slowed in Germany and France. Ireland meanwhile continued to record only a very modest pace of expansion.

Output indices by country

PMI Output (Business Activity) Index (50 = no change)



Source: Markit.

Countries ranked by composite Output Index

Germany	56.3	8-month low
France	54.9	8-month low
Ireland	51.3	2-month high
Spain	49.2	6-month low
Italy	48.4	21-month low

Backlogs rose only slightly

Backlogs of work increased only marginally – the smallest rise since last October and fractionally below the flash estimate. The data suggest that operating capacity and order books are becoming better balanced.

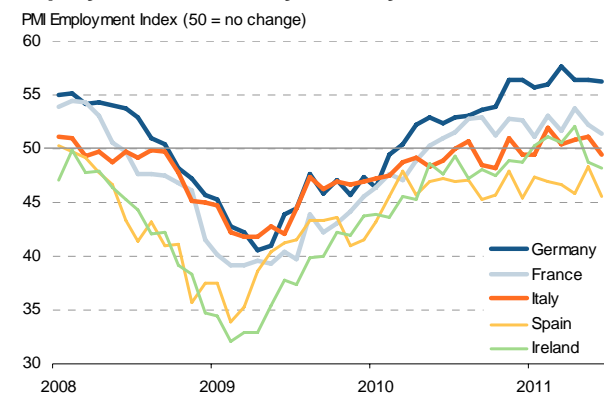
A marginal drop in manufacturing backlogs (the first decline since October 2009) was accompanied by the smallest rise in outstanding business in the service sector since last November.

Employment growth slips as headcounts fall in Spain, Italy and Ireland

Eurozone employment continued to rise in June. But the rate of job creation hit an eight-month low, reflecting the slower rates of growth of both new orders and backlogs of work. The increase in jobs was also below the flash reading.

Payroll growth slowed in both manufacturing and services, with only Germany continuing to report any robust job gains when measured across both sectors. In contrast, employment growth slowed to near-stagnation in France, while job losses were recorded in Italy, Spain and Ireland.

Employment indices by country



Source: Markit.

Input price inflation at eight-month low

Input prices rose less than the flash estimate; still rising sharply compared to May but nevertheless showing the weakest rate of increase for eight months. The rate has fallen sharply since peaking in March, largely attributable to the lower cost of oil and other commodities in recent months. Input price inflation in manufacturing has consequently fallen to a far greater extent than in services, hitting a ten-month low in June and dropping well below the record high seen back in February.

Input price pressures eased across all countries surveyed, with Germany recording the strongest overall rate of increase by a small margin from France.

Output price inflation unchanged on May

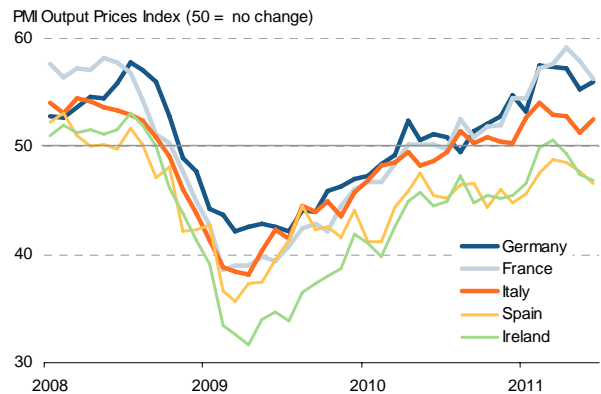
In contrast to the slower growth of input costs, average prices charged increased at a pace unchanged on the four-month low seen in May. This represents an improvement on the slight acceleration in charge inflation previously recorded by the flash estimate.

Manufacturers hiked their selling prices at the

slowest rate since December, but inflation remained elevated by the survey's historical standards. Service providers increased their average selling prices to a slightly greater extent than in May, but overall the rate of increase remained modest.

Strong variations in selling price trends were again evident by country, with the highest rates of inflation seen in France and Germany while prices charged fell at sharper rates in both Ireland and Spain. The divergence highlights the weakness of domestic demand in the Eurozone's periphery relative to the currency bloc's two largest economies.

Output price indices by country



Source: Markit.

Comment:

Chris Williamson, Chief Economist at Markit said:

"The final Markit Eurozone PMI hit a 20-month low in June, coming in below the initial flash estimate to indicate that, over the past two months, the region has seen the sharpest slowing in growth since just after the collapse of Lehman's in late-2008.

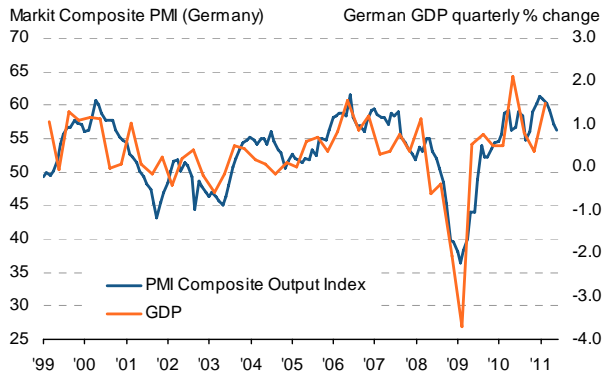
"The Eurozone economy as a whole looks to have expanded by approximately 0.6% in the second quarter, down from 0.8% in the first three months of the year. However, the further loss of momentum in June bodes ill for the third quarter and suggests that growth may weaken further unless order books improve. Particularly concerning is the lack of growth of manufacturing order books, as demand for goods (and particularly exports) has provided the impetus to the recovery so far.

"National growth variations are also a worry. Of the four largest Eurozone nations, only Germany continued to record a PMI which is consistent with strong quarterly GDP growth in June, although even here the pace has slowed sharply. The PMIs are meanwhile consistent with only modest growth rates in France and Spain, while a risk of double-dip recession is highlighted in Italy."

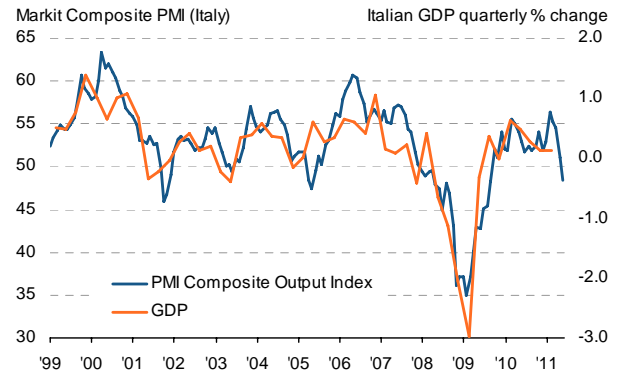
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Economic growth in the big-four Eurozone nations

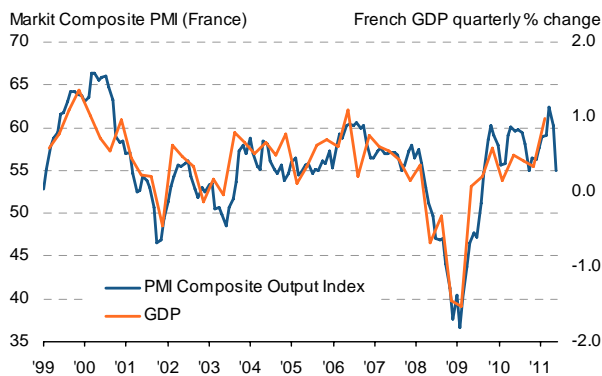
Germany



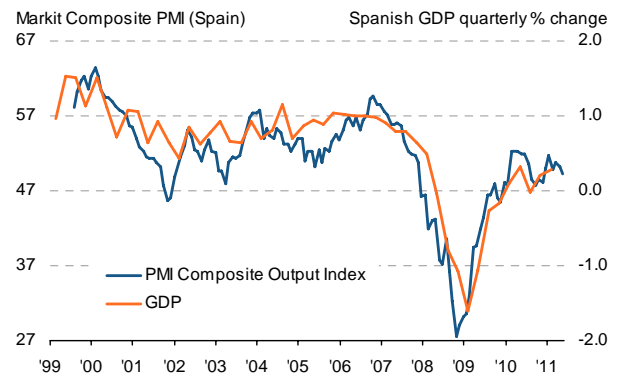
Italy



France



Spain



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Notes to Editors:

The Eurozone Composite *PMI*[®] (*Purchasing Managers' Index*[®]) is produced by Markit and is based on original survey data collected from a representative panel of around 4,500 manufacturing and services firms. 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 **final** Eurozone Composite *PMI* follows on from the **flash** estimate which is released a week earlier and is typically based on approximately 75%–85% of total *PMI* survey responses each month. The June flash was based on 88% of the replies used in the final 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 <i>PMI</i> [®]	0.0	0.2

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.

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Purchasing Managers' Index[®] (*PMI*[®]) surveys are now available for 32 countries and also for key regions including the Eurozone. They are 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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