

News Release

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

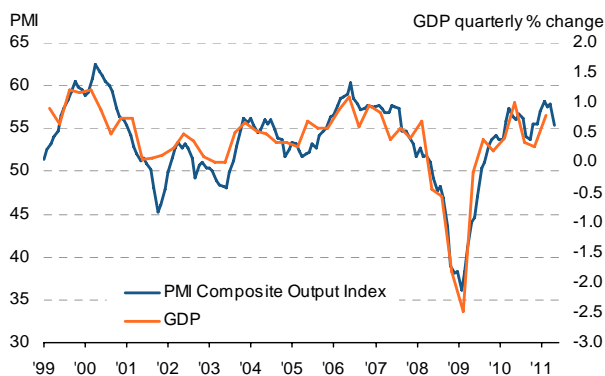
Two-speed Eurozone recovery downshifts to lower gear in May

Key points:

- Eurozone growth slips to five-month low, as recoveries slow in all nations covered.
- France and Germany record strongest expansions, but elsewhere growth drifted closer to stagnation.
- Job creation seen in the big-three economies, but further losses in Spain and Ireland.

At 55.8 in May, down from 57.8 in April, the **Final Eurozone PMI[®] Composite Output Index** fell to a five-month low, but came in slightly ahead of its earlier flash estimate of 55.4. The index has signalled expansion in each of the past 22 months. The latest reading was slightly above the average for 2010 as whole, and growth so far in Q2 has been only moderately below the post-recession high reached in the opening quarter.

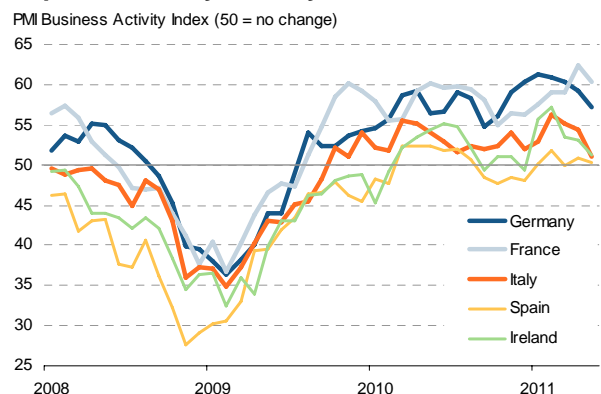
Economic Growth



Rates of output expansion eased in both manufacturing and services. The slowing was much more pronounced in manufacturing, where production rose at the weakest pace in seven months. Manufacturers indicated that slower inflows of new orders and ongoing disruption to supply chains following the Japanese earthquake had led to a cooling of production growth. The extent of the easing in service sector business activity – to a four-month low – was much less marked, meaning that the service sector outpaced manufacturing for the first time since last September.

Rates of growth eased in all of the nations where *PMI* data for both manufacturing and services are available. The expansion also remained two-speed, with France and Germany leading the recovery. In contrast, Italy, Spain and Ireland drifted closer to stagnation.

Output indices by country



Countries ranked by composite Output Index (May)

France	60.3	Weaker than April
Germany	57.1	Seven-month low
Ireland	51.2	Five-month low
Italy	51.0	18-month low
Spain	50.3	Weaker than April

New business growth eased to a six-month low, slowing in both manufacturing and services. There also remained marked national divergences. The big-two economies continued to see robust inflows of new work, whereas Italy, Spain and Ireland all reported modest reductions in incoming new business.

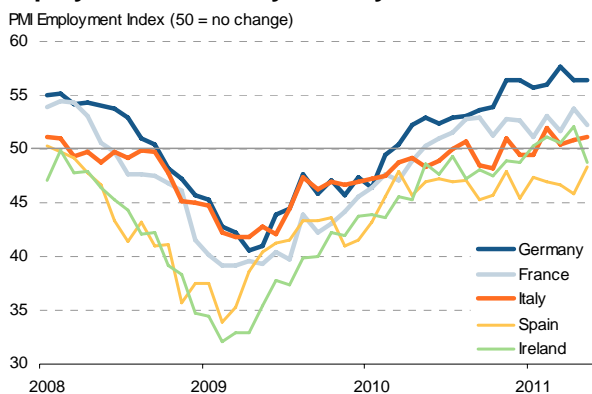
Job creation seen in big-three economies

Employment continued to rise in May, with the rate of jobs growth only marginally below February's three-year peak and above the earlier flash estimate. Manufacturing continued to see the stronger rate of increase, despite payroll growth slowing to a four-month low. Service providers

meanwhile raised their payroll numbers to the greatest extent since last November.

National growth divergences were reflected in the labour market. The stronger performing economies of Germany and France also reported the most robust increases in employment, despite jobs growth easing in the latter. Italy saw only moderate job creation, while losses were reported in both Spain and Ireland.

Employment indices by country

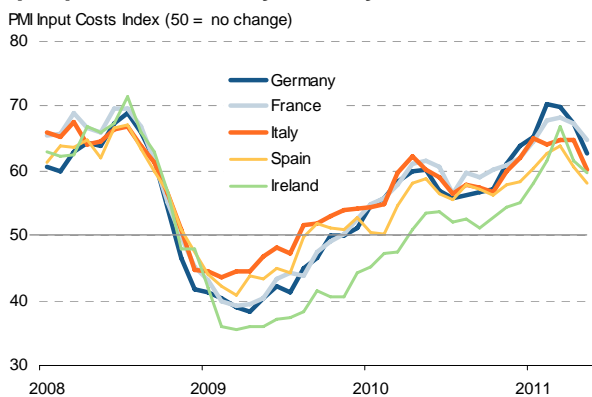


Inflationary pressures eased further

Recent falls in the price of oil and other commodities led to a slower rate of average input price inflation during May. Costs rose at the slowest pace since November last year, mainly reflecting the sharpest easing in manufacturing input price inflation for two-and-a-half years. In contrast, the slowdown in service sector cost inflation was much less substantial.

All of the nations covered by the survey saw slower increases in average costs during May. The most substantial slowdowns were seen in Italy and Germany.

Input prices indices by country

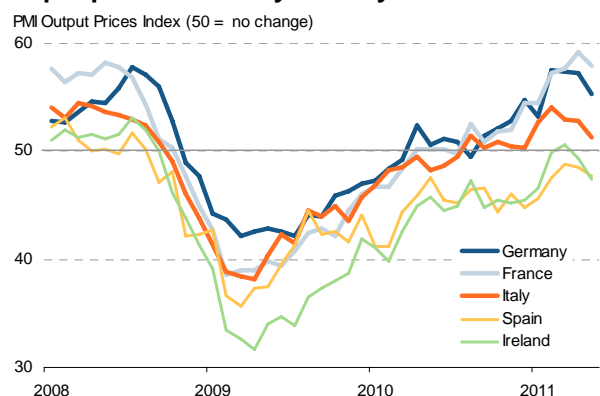


The rate of increase in average selling prices also moderated in May, with charges rising at the slowest pace since January. Manufacturers continued to report a higher rate of inflation than

service providers.

Domestic market strength was the main factor driving trends in pricing power at the national level, with the leading growth performers of France and Germany again seeing the sharpest increases in average prices charged for goods and services. The rise in Italy was only moderate, while companies in Spain and Ireland continued to reduce their prices – and to greater extents than in the previous month.

Output price indices by country



Comment:

Chris Williamson, Chief Economist at Markit said:

“The drop in the Eurozone PMI in May was less than the initial flash estimate, but the two-point decline was the largest since last September and suggests that economic growth in the single currency area slowed sharply during the month.

“The second quarter as a whole therefore looks likely to have seen GDP growth weaken from the robust 0.8% expansion seen in the first three months of the year, although a 0.7% expansion could still be possible providing the survey data do not fall further in June.

“Weaker growth was evident in all main Eurozone countries, but the divergence between the core and the periphery has become even more striking. Although down on prior months, growth in France and Germany remains impressively strong, but Spain, Italy and Ireland edged ever closer to stagnation. The lack of growth in these countries will threaten budget deficit reduction plans via lower tax receipts and higher welfare spending.

“The good news is that price pressures have eased across the board, helped down by recent steep falls in prices of many commodities, notably oil, which during the survey period was down 10% from its recent peak, which should feed through to lower consumer price inflation.”

-Ends-

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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 May flash was based on 81% 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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