

## News Release

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 0900 (UK Time) 23 May 2011**

### Markit Flash Eurozone PMI®

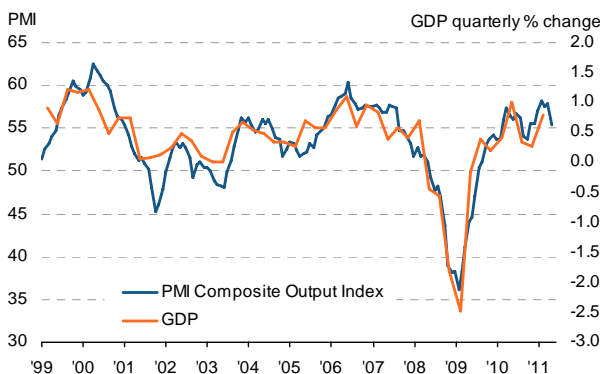
#### Eurozone growth slips to seven month low in May, but price pressures ease

- Flash Eurozone Composite Output Index<sup>(1)</sup> at 55.4 (57.8 in April). 7-month low.
- Flash Eurozone Services Business Activity Index<sup>(2)</sup> at 55.4 (56.7 in April). 5-month low.
- Flash Eurozone Manufacturing PMI<sup>(3)</sup> at 54.8 (58.0 in April). 7-month low.
- Flash Eurozone Manufacturing Output Index<sup>(4)</sup> at 55.3 (60.2 in April). 7-month low.

Data collected 12–20 May.

The **Markit Flash Eurozone Composite Output Index**, based on around 85% of usual monthly replies, fell from 57.8 in April to 55.4 in May to signal ongoing expansion for the twenty-second successive month. However, although in line with the average seen during 2010, the increase was the weakest for seven months and the deceleration in the rate of growth, as measured by the fall in the index, was the largest since November 2008.

#### Markit Eurozone PMI® and GDP



Growth slowed particularly sharply in **manufacturing**, hitting a seven-month low and dipping marginally below the rate of increase seen in **services**, which saw growth moderate for the second month in a row.

The slower rates of output growth reflected weaker growth of **new orders** in both sectors, causing the overall rate of increase of new business to slide to the weakest since November. Growth of manufacturing new orders and new export orders were the weakest for eight and six months

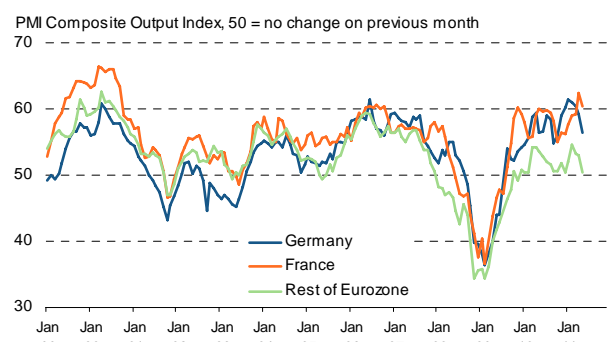
respectively, as rates of growth slowed to the greatest extent since November 2008 in both cases. Incoming new business in the services sector slowed less markedly, but nonetheless showed the smallest rise for five months.

Reduced inflows of new business, concerns about the wider economic environment and the outlook all caused expectations of service sector activity for the coming year to drop to the lowest since July 2009. Meanwhile, the ratio of manufacturing new orders to inventories, which acts as a guide to near-term output developments, fell sharply to the second-lowest reading since June 2009. Stocks of finished goods showed the smallest decrease since December 2008, often linked to disappointing sales.

The rate of expansion slowed sharply in **Germany**, easing for the fourth month from January's four-and-a-half-year high, while a more modest slowing was seen in **France** from last month's near 11-year peak. However, growth in both countries continued to far outpace that seen in the **rest of the region**, where output slowed to near-stagnation and new orders showed the largest fall since November 2009.

Service sector performance continued to be notably weak in the periphery, with services output falling for the first time in four months, albeit only marginally. However, manufacturing – which had provided the main impetus to growth in the periphery – also grew at a weaker pace (and far below that seen in France and Germany), led by a sharp slowing in growth of exports.

#### Core v. Periphery Output Index

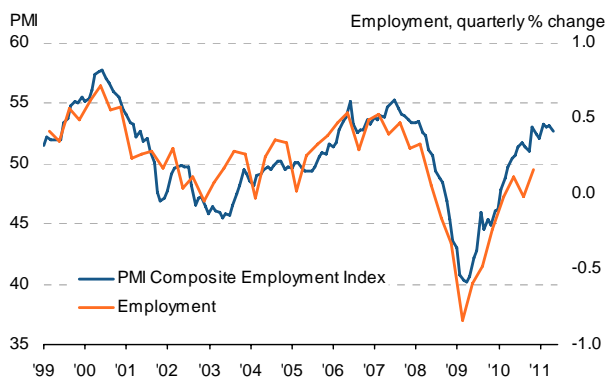


**Employment** continued to rise, but job creation was the weakest for four months. Manufacturers led the jobs growth, with the rate of increase dropping to the lowest since December though still running at a pace not seen since the dot-com boom. Service sector employment also rose, but at only a modest pace, and slightly weaker than April.

Job creation was led by Germany, with only moderate growth seen in France. A further marginal fall in employment was meanwhile recorded across the rest of the region.

With **backlogs of work** rising at the slowest pace since November across the Eurozone as a whole, the need to take on extra staff may weaken further in coming months if new business growth fails to revive.

### Markit Eurozone PMI and Employment

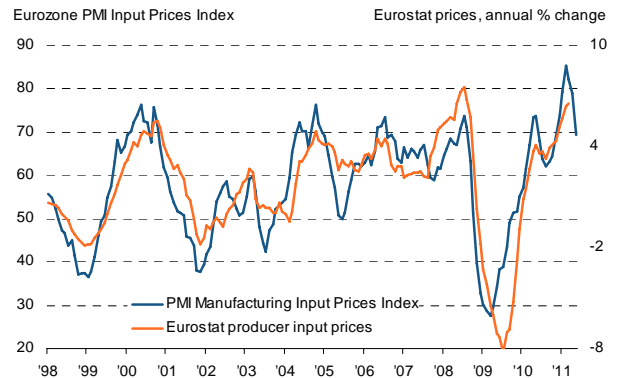


Average **prices charged** for goods and services rose for the tenth month running, but the rate of inflation slowed from the near record-high seen in April, slipping to a four-month low.

Fewer firms raised their selling prices than in previous months largely because **input costs** grew less sharply than in any of the past six months, the rate of increase having fallen markedly since March's 32-month high.

Rates of output prices and input cost inflation eased in both manufacturing and services, linked in many cases to recent falls in oil and other commodity prices.

### Manufacturing input costs



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

*“The Eurozone PMI continued to show robust expansion, but the rate of increase showed the sharpest slowing since just after the collapse of Lehman’s in late-2008. It is not clear the extent to which this reflects temporary factors such as the timing of Easter and disruptions to supply chains emanating from the earthquake in Japan, but a deterioration in business confidence in the service sector to the weakest since July 2009 suggests that a more fundamental slowing in the pace of economic growth is occurring.*

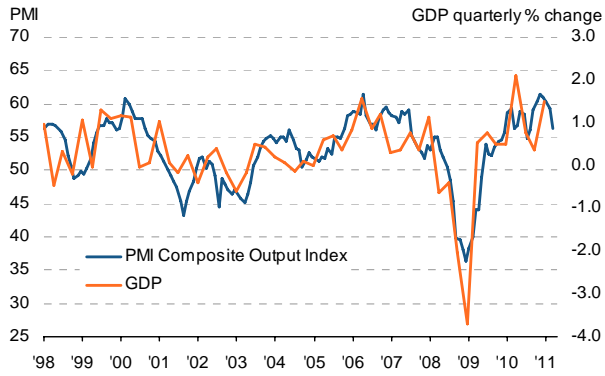
*“While the rate of growth has slowed, it still remained strong. As the PMI had accurately predicted the strong 0.8% gross domestic product growth seen in the euro area in the first quarter, the survey data for the past two months are therefore very reassuring as they suggest that growth is likely to have slowed only very modestly in the second quarter, with GDP rising by perhaps 0.7%.*

*“Growth of output and employment remains very lop-sided, however, fuelled by France and Germany while the rest of the region saw a near-stagnation of output in May and a further drop in employment.*

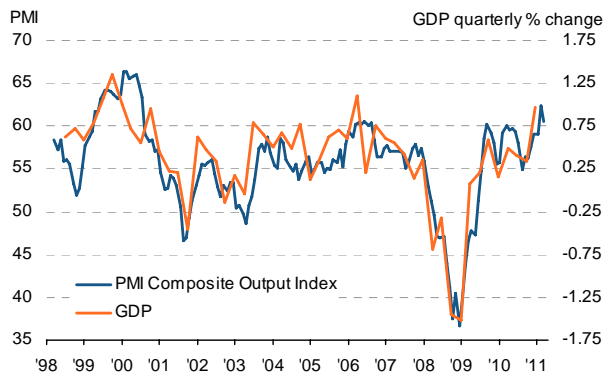
*“There was good news on the inflation front, with the recent fall in oil and other commodity prices feeding through to help slow the rate of inflation of both companies’ costs and their selling prices.”*

-Ends-

### German *PMI* and GDP



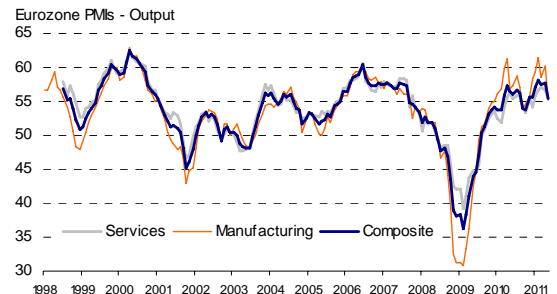
### France *PMI* and GDP



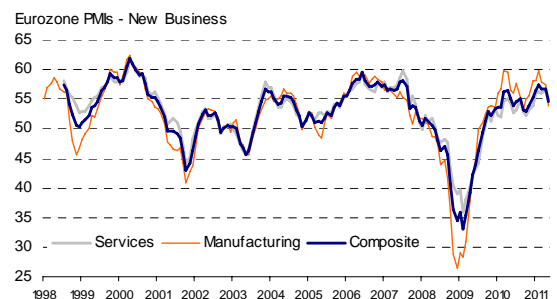
## Summary of May data

<b>Output</b>	<b>Composite</b>	<b>Growth was slowest since October 2010 (55.4 from 57.8 in April).</b>
	Services	Growth slowed further from March's 43-month high (55.4 from 56.7 in April).
	Manufacturing	Pace of growth slowed to weakest in seven months (55.3 from 60.2 in April).
<b>New Orders</b>	<b>Composite</b>	<b>Pace of expansion at six-month low.</b>
	Services	Growth was weakest so far in 2011.
	Manufacturing	Slowest rise since September 2010.
<b>Backlogs of Work</b>	<b>Composite</b>	<b>Rate of growth eased to weakest since November 2010.</b>
	Services	Pace of expansion broadly unchanged since April.
	Manufacturing	Weakest rise in eight months.
<b>Employment</b>	<b>Composite</b>	<b>Pace of job creation eased to four-month low.</b>
	Services	Thirteenth consecutive month of growth. Rate of increase marginally weaker than in April.
	Manufacturing	Employment rose at weakest rate since December 2010.
<b>Input Prices</b>	<b>Composite</b>	<b>Input price inflation remained sharp, but eased to six-month low.</b>
	Services	Pace of inflation slowed to four-month low.
	Manufacturing	Input cost inflation down sharply, weakest in six months.
<b>Output Prices</b>	<b>Composite</b>	<b>Output price inflation eased to four-month low.</b>
	Services	Charge inflation maintained for fourth straight month, but at weakest rate in this sequence.
	Manufacturing	Weakest rise in charges since January.
<b>PMI<sup>(3)</sup></b>	Manufacturing	PMI at seven-month low of 54.8, down from 58.0 in April.

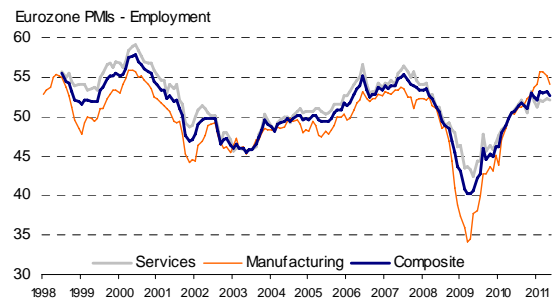
## Output



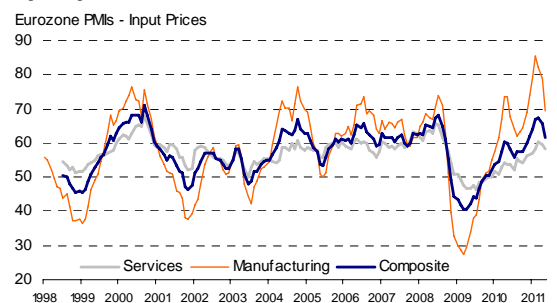
## New business



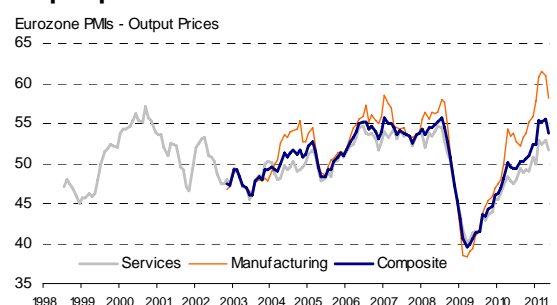
## Employment



## Input prices



## Output prices



**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](mailto:chris.williamson@markit.com)

Rob Dobson, Senior Economist  
 Telephone +44-1491-461-095  
 Mobile +44-782-691-3863  
 Email [rob.dobson@markit.com](mailto:rob.dobson@markit.com)

Caroline Lumley, Corporate Communications  
 Telephone +44-20-7260-2047  
 Mobile +44-781-581-2162  
 Email [caroline.lumley@markit.com](mailto:caroline.lumley@markit.com)

**Note to Editors:**

Final May data are published on 1 June for manufacturing and 3 June for services and composite indicators.

The Eurozone *PMI*<sup>®</sup> (*Purchasing Managers' Index*<sup>®</sup>) 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 <sup>1</sup>	0.0	0.2
Eurozone Manufacturing <i>PMI</i> <sup>3</sup>	0.0	0.2
Eurozone Services Business Activity Index <sup>2</sup>	0.1	0.3

The *Purchasing Managers' Index*<sup>®</sup> (*PMI*<sup>®</sup>) 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*<sup>®</sup> 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](mailto: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 2,000 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 [www.markit.com](http://www.markit.com).

**About PMIs**

Now available for 32 countries and key regions including the Eurozone, *Purchasing Managers' Indexes*<sup>®</sup> (*PMIs*<sup>®</sup>) 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](http://www.markit.com/economics).

The intellectual property rights to the Flash Eurozone *PMI*<sup>®</sup> provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index*<sup>®</sup> and *PMI*<sup>®</sup> are registered trade marks of Markit Economics Limited. Markit and the Markit logo are registered trade marks of Markit Group Limited.