

News Release

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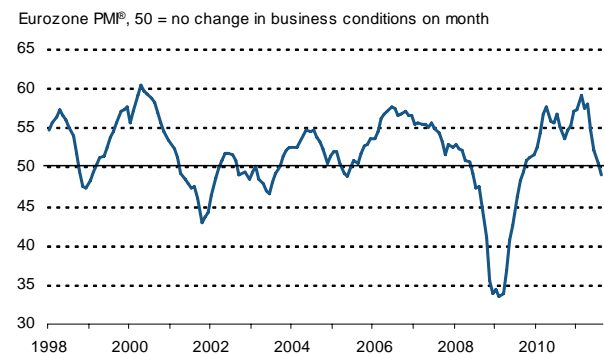
Markit Eurozone Manufacturing PMI[®] – final data

Eurozone PMI at two-year low as new orders fall in all countries

Data collected 12–23 August.

- Final Manufacturing PMI at 49.0 in August, below flash estimate of 49.7.
- New orders fall across all countries surveyed.
- Job creation slowest for nearly a year.

Manufacturing PMI[®] (overall business conditions)



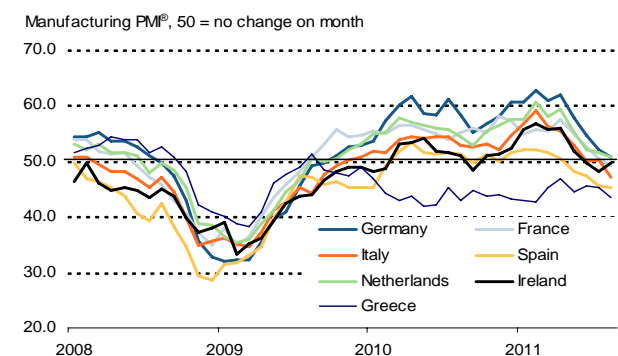
The final **Markit Eurozone Manufacturing PMI[®]** fell from 50.4 in July to 49.0 in August, its lowest level since August 2009 and below the earlier flash estimate of 49.7.

National PMIs held just above the 50.0 no-change mark in Germany, the Netherlands and Austria, but signalled contractions in Ireland, France, Italy, Spain and Greece. Only the Irish PMI rose compared to July, but still remained in contraction territory.

Countries ranked by Manufacturing PMI[®] (Aug.)

Germany	50.9	23-month low
Netherlands	50.7	22-month low
Austria	50.1	21-month low
Ireland	49.7	2-month high
France	49.1	25-month low
Italy	47.0	24-month low
Spain	45.3	19-month low
Greece	43.3	6-month low

Manufacturing PMI[®] by country



Output falls, as new orders decline in all countries surveyed

The weakness highlighted by the headline PMI reflected falling volumes of both output and new business in August.

Output fell across the Eurozone as a whole for the first time in just over two years, a worse outcome than the stagnation signalled by the earlier flash estimate. New orders decreased for the third month running, and at the quickest pace for 26 months. Concurrent declines in total new order inflows were seen in all of the nations covered by the survey for the first time since June 2009, amid widespread reports of weaker demand from domestic and export markets.

Production in France and Italy contracted for the first time since June 2009 and September 2009 respectively, while Spain, Austria and Greece all reported faster rates of decline. Growth in Germany continued to weaken (in contrast to the improvement signalled by the earlier flash estimate), showing the smallest monthly gain in just over two years. Although Ireland and the Netherlands saw output rise after declining in July,

the rates of expansion were only moderate.

The Eurozone new orders-to-finished goods inventory ratio, which tends to lead the trend in production, fell to its lowest for almost two-and-a-half years. Stocks of finished goods rose – albeit only modestly – for the first time since December 2008, led by a survey-record gain in Germany.

Sharpest drop in new export orders for over two years

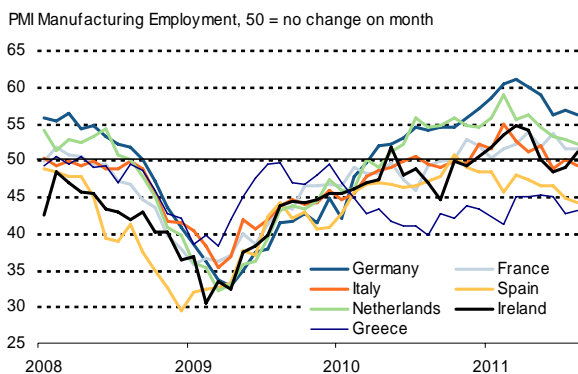
New export orders fell for the second month running, dropping to the greatest extent since June 2009. Falling export sales were seen in all nations except Greece and Ireland, with Germany seeing the steepest rate of decline. Greece saw new export orders rise at the fastest pace for over three years, while growth hit a three-month high in Ireland.

Job creation remains solid, but slows

Manufacturing employment rose for the sixteenth successive month in August, but the rate of job creation was the weakest since last September.

Payroll numbers rose in Germany, France, the Netherlands, Austria and Ireland, offsetting falling employment levels in Spain, Italy and Greece.

Manufacturing employment by country



Lower new order inflows, combined with higher employment, meant that manufacturers made further inroads into backlogs of work. Outstanding business fell at the fastest pace for over two years as a result.

Inflationary pressures continue to ease

Price pressures slowed further in August. The rates of increase in input costs and output prices eased to 21- and 17-month lows respectively, and were also weaker than those signalled by earlier flash

estimates. Input price inflation eased in all of the countries covered by the surveys except Greece.

Output price inflation was the weakest since charges started to rise in April last year. There were reports that strong competition and lower demand had restricted manufacturers' scope to hike prices.

National variations in selling prices were marked, reflecting differences in the strength of demand. France, Germany and the Netherlands all reported further marked output price increases. Charges rose only negligibly in Italy and Austria, however, while Spain, Ireland and Greece all saw modest reductions.

Comment:

Chris Williamson, Chief Economist at Markit said:

"Final PMI data for August were even worse than the disappointing earlier flash numbers, signalling an end to the manufacturing recovery which began in October 2009. PMIs either signalled stagnation or contraction in all countries surveyed, with output falling for the first time since July 2009 and job creation sliding to the lowest for nearly a year.

"The forward-looking indicators also sent worrying signals. New orders fell at the fastest rate since June 2009, with declining demand for goods now reported in all countries surveyed. Inventories of finished goods meanwhile rose for the first time since December 2008, suggesting that firms may seek to cut production further in coming months to prevent any further unplanned build-up of warehouse stock.

"Worryingly, Germany saw new export orders fall at the fastest rate of all countries surveyed, meaning the Eurozone can no longer rely on export-led growth in its largest member state to help sustain even a lacklustre recovery for the region as a whole.

"With GDP having risen just 0.2% in the second quarter, there is a growing risk that the Eurozone could slide back into recession in the second half of the year."

-Ends-

For further information, please contact:

Chris Williamson, Chief Economist
 Telephone +44-20-7260-2329
 Mobile +44-779-5555-061
 Email chris.williamson@markit.com

Rob Dobson, Senior Economist
 Telephone +44-1491-461-095
 Mobile +44-7826-913-863
 Email rob.dobson@markit.com

Rachel Harling, Associate, Corporate Communications
 Telephone +44-207-064-6283
 Mobile +44-78-2789-1072
 Email rachel.harling@markit.com

Note to Editors:

The Eurozone Manufacturing *PMI*[®] (*Purchasing Managers' Index*[®]) is produced by Markit and is based on original survey data collected from a representative panel of around 3,000 manufacturing firms. National data are included for Germany, France, Italy, Spain, the Netherlands, Austria, the Republic of Ireland and Greece. These countries together account for an estimated 90% of Eurozone manufacturing activity.

The final Eurozone Manufacturing *PMI* follows on from the flash estimate which is released a week earlier and is typically based on approximately 85%–90% of total *PMI* survey responses each month. The August flash was based on 86% 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 Manufacturing <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 revised data are available to subscribers from Markit. Please contact economics@markit.com.

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About PMIs

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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