

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0900 (UK Time) 22 February 2012

Markit Flash Eurozone PMI[®]

Eurozone business activity slips back into contraction in February

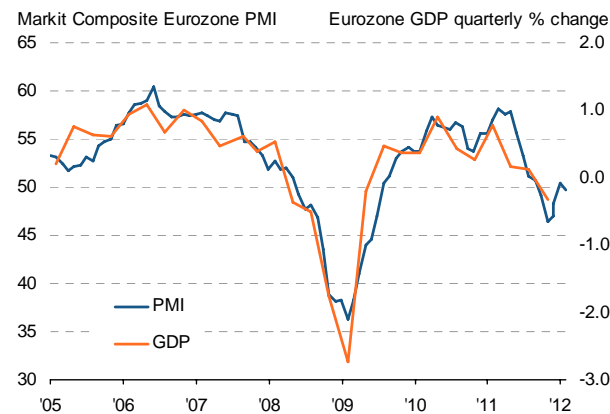
- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 49.7 (50.4 in January). Second-highest in six months.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 49.4 (50.4 in January). Second-highest in six months.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 49.0 (48.8 in January). Six-month high.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 50.4 (50.4 in January).

Data collected 13–21 February.

The **Markit Eurozone PMI[®] Composite Output Index** fell from 50.4 in January to 49.7 in February, according to the preliminary 'flash' reading based on around 85% of usual monthly replies. The latest figure signalled a slight contraction in business activity following the marginal expansion seen in January, which had been the first month in which the Index had risen above the 50.0 no-change level since last August.

The latest reading was nevertheless the second-highest of the past six months, and suggests that the Eurozone economy has stabilised over the first two months of the year having contracted in the final quarter of 2011.

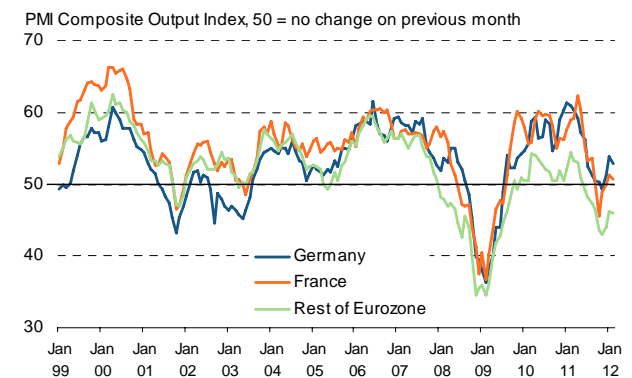
Markit Flash Eurozone PMI and GDP



Output rose in Germany and, to a lesser extent, in France. In both cases, however, the rate of expansion was slightly weaker than in January. Output fell across the rest of the region, and at a

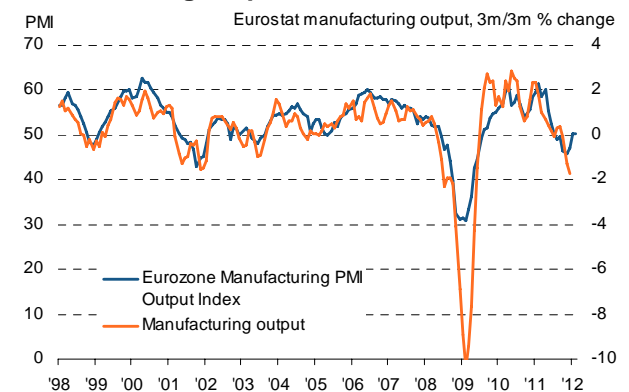
slightly steeper rate than in January (albeit less severely than late last year).

Core v. Periphery PMI Output Index



Service sector activity contracted slightly, reversing the modest return to growth seen in January. Meanwhile, manufacturing saw a marginal increase in output for the second month running.

Manufacturing output



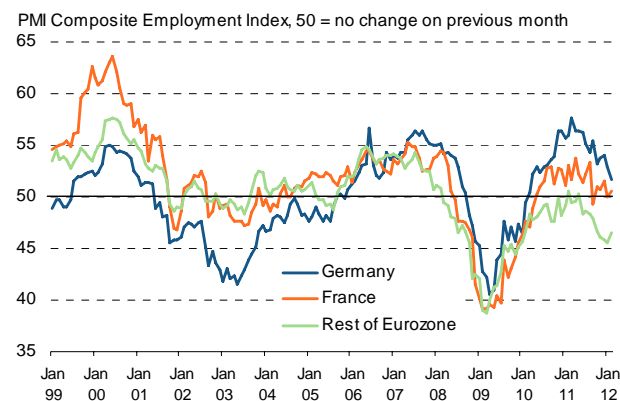
Incoming new business fell for the seventh month running, but the rate of deterioration eased for the fourth month in a row to register the smallest drop in demand for six months. Rates of decline eased in both manufacturing and services, with the latter showing the smaller decline. Manufacturers reported the weakest drop in demand for seven months, led by an easing in the rate of loss in new export orders, while the decline in service sector

new business was the smallest in the current six-month sequence.

Backlogs of orders fell across the region for the eighth successive month, but at reduced rates in both manufacturing and services. The overall fall was the smallest for six months. However, a combination of falling inflows of new business and lower backlogs of work caused companies to trim their headcounts, leading to a slight drop in **employment** for the second successive month.

Reductions in headcounts were only marginal in both manufacturing and services, but contrasted with robust employment growth in both sectors during the first half of last year. Employment growth in Germany slowed to the weakest since March 2010, while only a modest gain was seen in France. Elsewhere in the Eurozone, the average rate of job losses eased to a four-month low but remained steep.

Employment



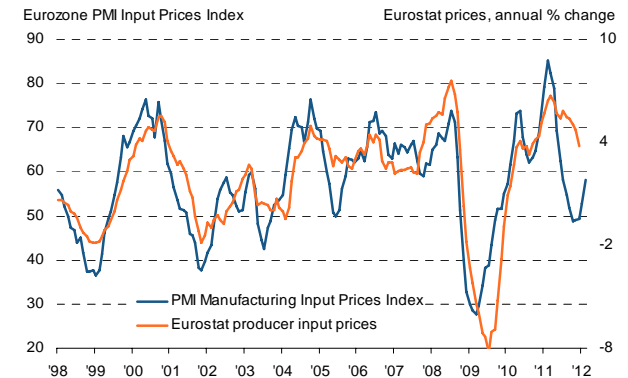
Source: Markit.

Input prices rose at the fastest rate for seven months, driven by a jump in the rate of inflation in manufacturing. Companies reported increased prices for fuel, oil, plastics, steel and other raw materials.

Service providers likewise reported higher input costs, but the rate of increase eased to a three-month low and remained below the survey's long-run average.

Prices charged showed a minor fall for the third month in a row, as service sector charges fell at the steepest rate since July 2010. Factory gate price inflation hit a five-month high, but nevertheless remained only moderate.

Manufacturing input costs



Sources: Markit, Eurostat.

Looking ahead, **expectations for growth over the coming year** among service providers remained very low by historical standards of the survey, but improved for the fourth successive month to signal the highest degree of optimism since last July.

Similarly in manufacturing, the forward-looking orders-to-inventory ratio remained below the survey's long-run average, but held close to January's seven-month peak.

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

"A retreat back below the 50.0 no-change level for the Eurozone PMI is a disappointment, and highlights the ongoing risk that the region may be sliding back into recession. Although business conditions are showing signs of stabilising so far this year, which represents a marked improvement on the widespread deepening gloom seen late last year, the Eurozone is by no means out of the woods. Demand needs to improve considerably in coming months before we can safely say that the region will return to anything like reasonable growth."

"Encouragingly, business confidence continues to improve on the better news flow surrounding the sovereign debt crisis and renewed stimulus from the ECB. But even German companies remain unsure about the outlook, and many are clearly seeking to cut costs where possible in order to be more competitive in a tough business environment."

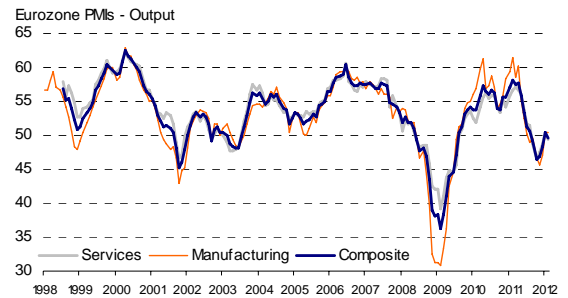
"Sharp divergences in performance also continued to be evident across the region, with modest growth in Germany contrasting with a steep decline in the periphery. Given the lack of domestic demand in austerity-hit peripheral countries, this divergence looks set to continue for some time."

-Ends-

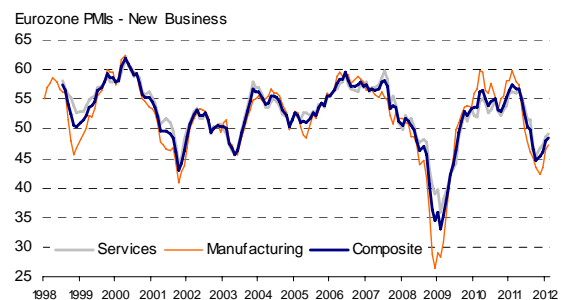
Summary of February data

Output	Composite	Output fell marginally following slight rise in January (49.7).
	Services	Activity fell for fifth time in six months, albeit marginally.
	Manufacturing	Output rose marginally for second month running.
New Orders	Composite	New business fell for seventh month running, but pace eased for fourth successive survey
	Services	New business fell for sixth month running, but at slowest rate in this sequence.
	Manufacturing	New orders fell at weakest rate since last July.
Backlogs of Work	Composite	Outstanding business down for eighth straight month, but at weakest rate since last August.
	Services	Eighth successive monthly decline, but at modest rate.
	Manufacturing	Backlogs fell for ninth month running.
Employment	Composite	Employment declined for second survey running, albeit marginally
	Services	Employment fell marginally for second month running.
	Manufacturing	Employment fell slightly for third time in four months.
Input Prices	Composite	Input price inflation accelerated for fourth month running to seven-month high.
	Services	Input cost inflation eased to three-month low.
	Manufacturing	Input price inflation accelerated sharply to seven-month high.
Output Prices	Composite	Output prices down slightly for fifth time in six months.
	Services	Charges fell at fastest rate since July 2010.
	Manufacturing	Output price inflation at five-month high.
PMI⁽³⁾	Manufacturing	PMI below 50.0 for seventh month running, but indicated only marginal deterioration in business conditions (49.0).

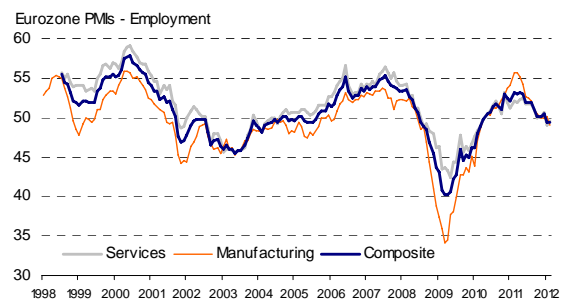
Output



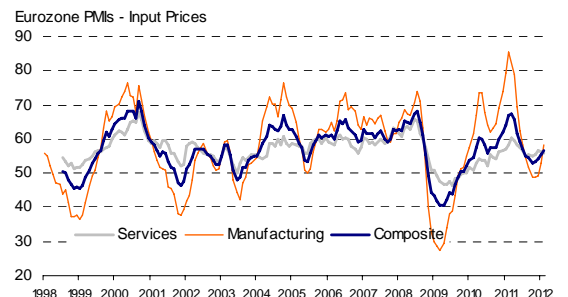
New business



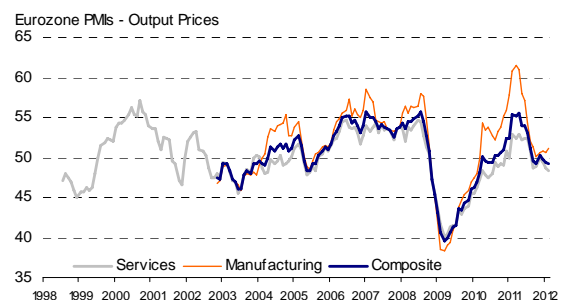
Employment



Input prices



Output prices



Source: Markit.

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Note to Editors:

Final February data are published on 1 March for manufacturing and 5 March 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 <i>PMI</i> 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.

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