

News Release

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

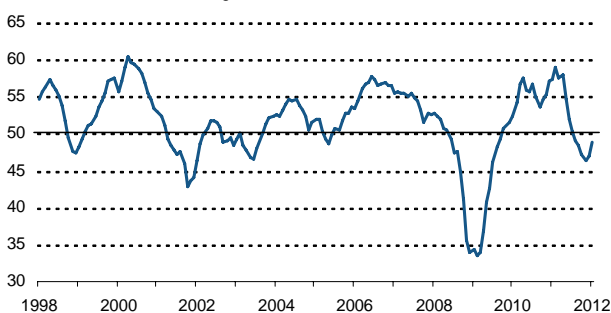
Eurozone manufacturing downturn eases as Germany returns to growth

Data collected 12–24 January.

- Final Manufacturing PMI up to 48.8 in January
- Signs of recovery in Germany and Austria, while downturns ease in Italy, Spain and the Netherlands
- Input prices rise for first time in four months

Manufacturing PMI[®] (overall business conditions)

Eurozone PMI[®], 50 = no change in business conditions on month



Source: Markit

The downturn in the Eurozone manufacturing sector eased further at the start of 2012. The seasonally adjusted Markit Eurozone Manufacturing PMI[®] rose for the second month running in January. Although below 50.0 and therefore still signalling a worsening of business conditions, the index hit a five-month high of 48.8, up from 46.9 in December and just above the earlier flash estimate of 48.7.

Signs of recovery were seen in Germany and Austria, where PMIs rose back above the 50.0 no-change mark. Rates of contraction eased in Italy, Spain and the Netherlands.

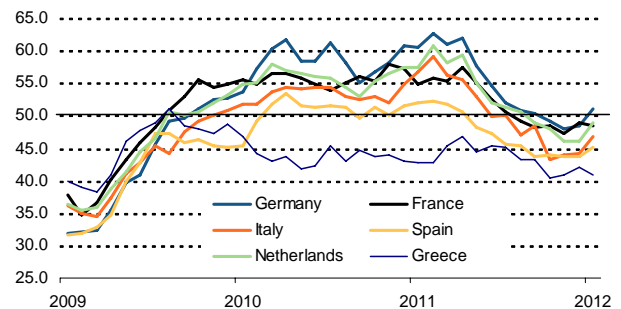
Countries ranked by Manufacturing PMI[®] (Jan.)

Austria	51.8	7-month high
Germany	51.0	6-month high
Netherlands	49.0	5-month high
France	48.5	2-month low
Ireland	48.3	4-month low
Italy	46.8	4-month high

Spain	45.1	5-month high
Greece	41.0	2-month low

Manufacturing PMI[®] by country

Manufacturing PMI[®], 50 = no change on month

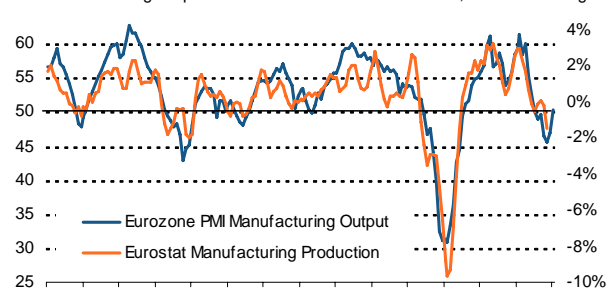


Source: Markit

Manufacturing output

PMI Manufacturing Output

Eurostat, 3m/3m % change



Sources: Markit, Eurostat

The PMI was boosted by Eurozone manufacturing output rising marginally, up for the first time since last July and an improvement on the flat trend signalled by the earlier flash estimate. Growth was led by a solid increase in Germany, alongside modest output gains in the Netherlands and Austria. Rates of output contraction eased sharply in Italy and Spain, but slightly steeper declines were seen in France and Ireland. Greece fared the worst, however, with production falling at the fastest pace in the survey history.

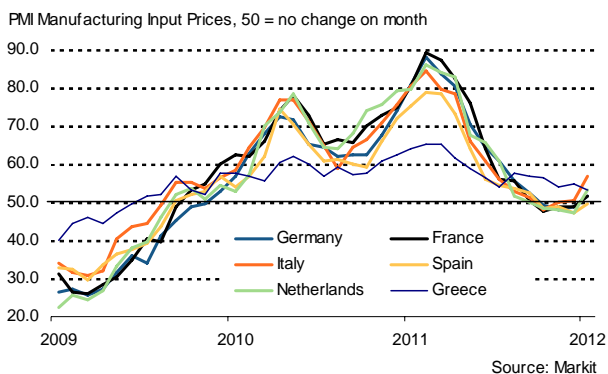
Demand remained lacklustre in January, reflecting ongoing weakness in certain domestic markets and lower levels of new export business. However, the rate of loss of new orders eased for the second month in a row to register the smallest decline since last July. Total new orders nevertheless continued to decline in all of the nations covered except for Austria. This meant that manufacturers relied on backlogs of work – which fell sharply again across the region – to support production volumes.

New export orders declined for the seventh month running in January, which companies partly attributed to lower levels of intra-region trade. The pace of contraction was steeper than the earlier flash estimate, but nonetheless the weakest since July 2011. Higher new export orders were seen only in Ireland and the Netherlands, although the rates of decline eased in all of the other member states covered.

Input prices increase in January

Input prices rose for the first time in four months at the start of 2012, reflecting increases in the cost of fuel and raw materials. Input price inflation accelerated in Italy and Ireland, while Germany, France, the Netherlands and Austria all saw purchasing costs rise following declines in the previous month. Eurozone manufacturers were only able to pass on part of the increase in input prices to clients, as average charges rose only marginally. This reflected the weakness of demand and strong competition. Factory gate prices rose in Germany, France, the Netherlands and Austria.

Manufacturing Input Prices by country

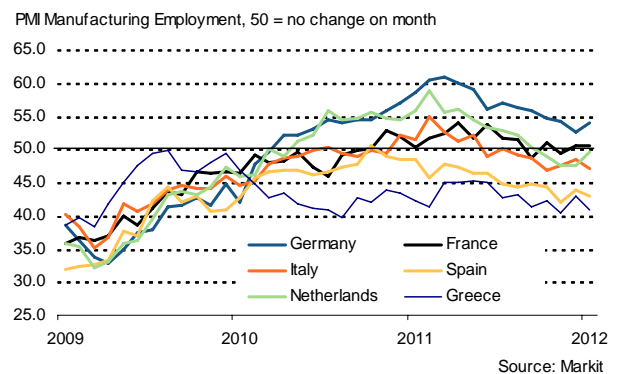


Job creation in Germany and France

Manufacturing employment was broadly unchanged in January, continuing the generally flat trend seen

in since October. The final index reading came in below the earlier flash estimate to register only a very marginal increase in staffing levels. Job creation in Germany and France was offset by losses outside of the big-two nations. Rates of decline were especially marked in Greece and Spain.

Manufacturing Employment by country



Comment:

Chris Williamson, Chief Economist at Markit said:

“Euro area manufacturing has started 2012 surprisingly well, suggesting the region may avoid a slide back into recession.

“Although producers reported only a marginal increase in output in January, the signs of improvement represent a marked contrast to the steep falls seen late last year. Furthermore, an upturn in the ratio of new orders to warehouse stocks points to increased production in coming months.

“German producers have reported an especially buoyant start to the year, with output rising for the first time in four months. Much slower rates of decline in Italy and Spain meanwhile provide encouragement that the periphery may now be over the worst, with growth indicators having bottomed out last autumn.

“The concern is that new orders have yet to return to growth, even in Germany, suggesting that companies will be reluctant to expand capacity and take on more staff until signs of stronger demand have appeared.”

-Ends-

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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 January flash was based on 90% 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.

About Markit

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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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