

Markit Eurozone PMI

Eurozone enters first ever recession

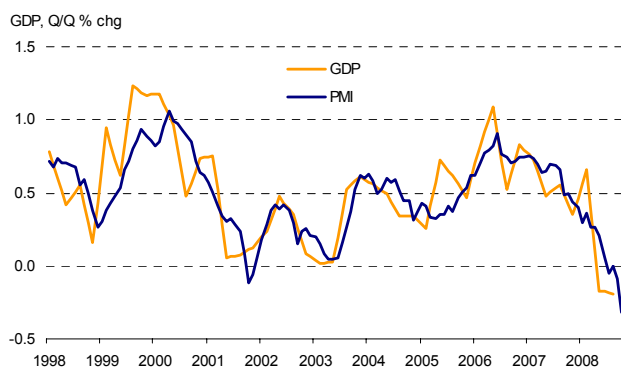
- Eurozone GDP fell for second quarter running in Q3.
- PMI signals decline of 0.3% likely in Q4.

Recession to deepen in Q4

The Eurozone entered its first recession since the launch of the single currency as GDP fell by 0.2% on the previous quarter in Q3 2008. The annual rate of growth slipped from 1.4% in Q2 to 0.7%. The Q3 decline, which was in line with market expectations, followed a similar sized fall in Q2, putting the region into a technical recession, defined as two consecutive quarters of falling GDP.

Our research note which accompanied the release of flash PMI data for the Eurozone on **23 September**¹ reported how the Eurozone PMI had fallen to its lowest level since Q4 2001 in the third quarter, indicating a technical recession in 2008. More recently, the Eurozone PMI fell sharply further in October to a new record low, suggesting an increased rate of deterioration of GDP at the start of Q4, with a decline of at least 0.3% likely in Q4 if the PMI fails to improve in November or December.

Chart 1: PMI-based estimates of Eurozone GDP

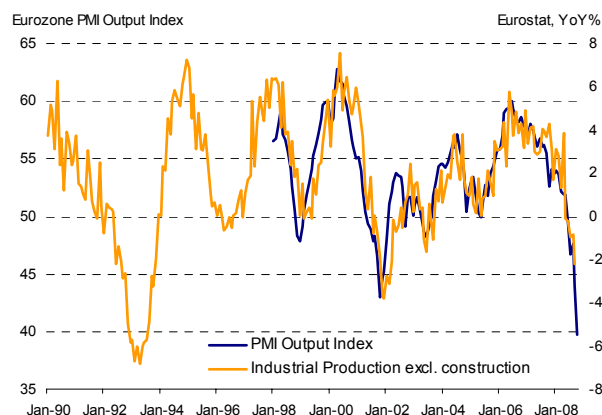


¹ <http://www.markit.com/information/news/commentary/markit-economics/contentParagraphs/0/document/Eurozone%20GDP%20and%20recession%20risk%2023%20Sep%202008.pdf>

Downturn led by manufacturing

The acceleration of the Eurozone downturn at the start of Q4 has been led by the contraction of the manufacturing sector. PMI data for October point to a year-on-year fall in industrial production of 4.7%, which would be the sharpest decline since 1993². However, both services and construction sectors are also now firmly in decline.

Chart 2: Eurozone PMI v. Eurostat IP



All big-4 nations saw PMIs fall in October

Among the big-four, only France saw an increase in Q3 GDP, a surprise rise of 0.1% meaning it avoided recession. However, recessions were signalled in both Germany and Italy as GDP contracted by 0.5% in both cases, while Spain saw GDP fall for the first time for 15 years (a decline of 0.2%).

In all main Eurozone countries, the PMI surveys have provided accurate advance indications of the sharp weakening of GDP growth, as illustrated by the country charts shown overleaf, and in all cases the PMIs signalled a worsening situation at the start of Q4. For details of each country please visit

www.markit.com/information/news/commentary/markit-economics.html.

² <http://www.markit.com/information/news/commentary/markit-economics/contentParagraphs/011/document/Eurozone%20IP%20Nov08.pdf>

Chart 3: German GDP and the PMI

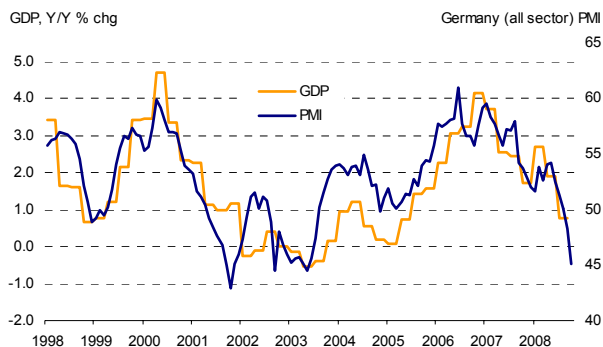


Chart 5: Italian GDP and the PMI

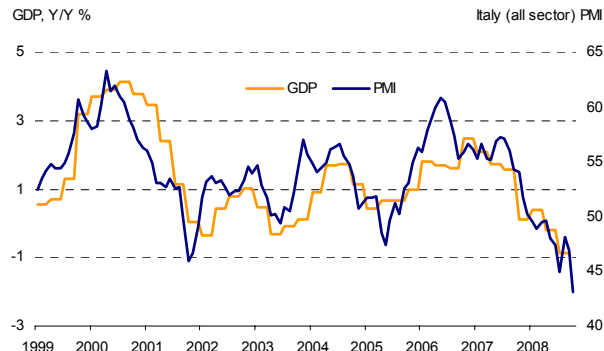


Chart 4: French GDP and the PMI

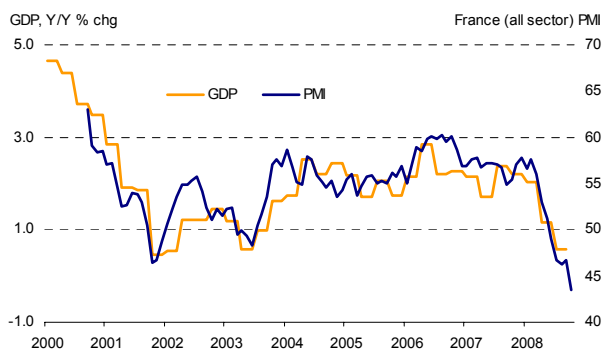
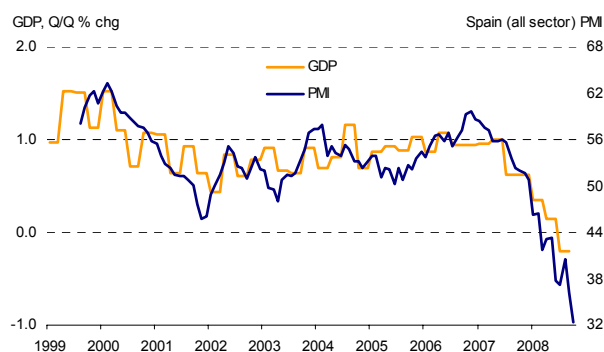


Chart 6: Spanish GDP and the PMI



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