

Eurozone

Large enterprises lead Eurozone out of recession

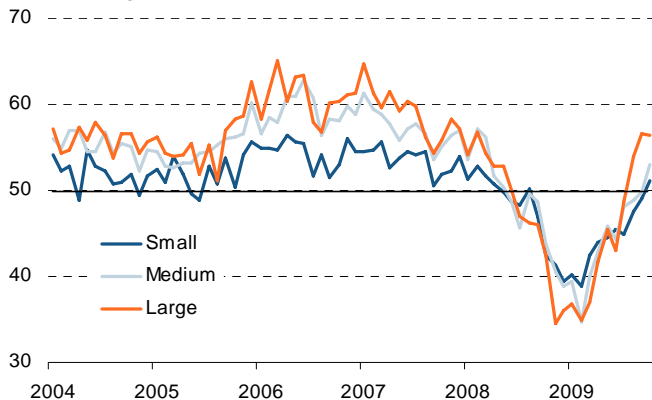
- **Larger firms see third month of rising output in October, but small and medium sized firms also return to growth.**
- **Larger firms report higher job losses.**

Composite PMI data (covering both manufacturing and services) for both the UK¹ and Eurozone show that output growth in large companies not only recovered before that in SMEs this year, but has also been consistently faster. This is possibly a consequence of the difficulties in sourcing finance faced by SMEs.

However, in both the Eurozone and UK, smaller companies have returned to growth, and in the Eurozone it is smaller firms that are leading the stabilisation in the labour market.

Eurozone output

Manufacturing & Services PMI Output Index



Over the recession, output trends have varied with company size, with larger firms seeing a shorter recession than small and medium sized firms. Output at smaller firms began contracting first, in May of last year, and contracted in 15 of the following 16 months. For medium sized firms, the recession began last June and lasted for 16 months. For larger firms, the downturn did not commence until July and only lasted for 13 months.

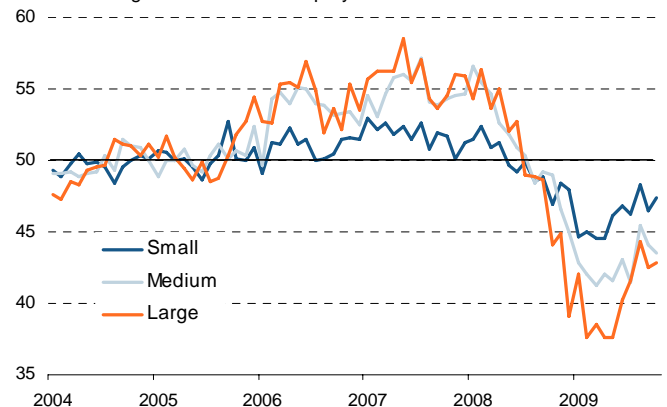
¹ For UK analysis see http://www.markit.com/assets/en/docs/commentary/markit-economics/nov%2009/UK_SIZE_PMI_09_11_04.pdf

Thus, while output returned to growth in October for the first time since the spring of last year at small and medium sized firms, larger firms enjoyed a third successive month of growth. However, in terms of the cumulative decline seen over the course of the downturn, larger firms saw the greatest drop in output, suggesting that *levels* of output have fallen relatively more in the largest companies in the Eurozone.

Large manufacturers are currently seeing the strongest output growth, followed by medium sized manufacturers, in turn closely trailed by larger service providers. Medium and small sized service companies and smaller manufacturers all reported similar modest returns to output growth in October.

Eurozone Employment

Manufacturing & Services PMI Employment Index



Employment continued to fall across all three size bands in both manufacturing and services in October. However, throughout the downturn, smaller companies have reported the slowest rate of job losses while larger firms have reported the highest. The greater pace of job cutting in larger firms may reflect the higher rate of recruitment seen prior to the recessions, but also in part reflects the larger drop in output *levels* at these companies.

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