News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0900 (UK Time) 20 February 2014

Markit Flash Eurozone PMI®

PMI signals ongoing robust recovery as new orders show largest rise since mid-2011

- Flash Eurozone PMI Composite Output Index(1) at 52.7 (52.9 in January). 2-month low.
- Flash Eurozone Services PMI Activity Index(2) at 51.7 (51.6 in January). 5-month high.
- Flash Eurozone Manufacturing PMI(3) at 53.0 (54.0 in January). 2-month low.
- Flash Eurozone Manufacturing PMI Output Index(4) at 55.5 (56.7 in January). 2-month low.

Data collected 12-19 February.

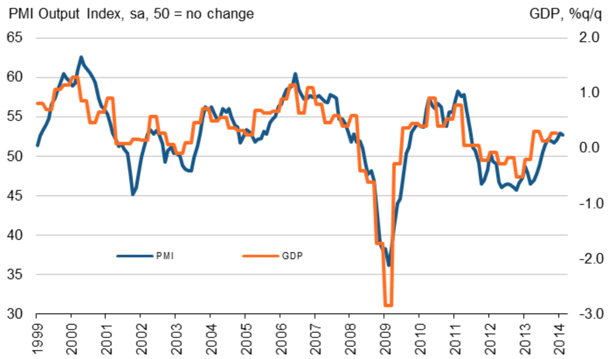
The euro area economy continued to expand at a robust pace in February, enjoying its strongest run of growth since the first half of 2011. The flash estimate of the **Markit Eurozone PMI® Composite Output Index** fell slightly to 52.7 in February, but remained close to January's 31-month high of 52.9. The PMI has now held above the 50.0 no-change level for eight successive months, signalling a continuous expansion of business activity since last July.

New orders rose for a seventh successive month, and the rate of growth accelerated marginally to reach the highest since June 2011.

Employment was unchanged for the third month running, contrasting with the trend of falling headcounts seen over the previous 23 months. Rising new orders have yet to translate into higher employment as many companies continue to focus on boosting productivity and competitiveness.

Output prices fell for the twenty-third month running as firms competed on price to win business, though the rate of decline was only marginal and the weakest since May 2012 as some firms reported improved pricing power. Some companies also cited the need to pass higher costs on to customers. Input prices increased for the ninth consecutive month, albeit showing the smallest rise since last September.

Markit (Flash) Eurozone PMI and GDP



Source: Markit, Eurostat. GDP = gross domestic product

A modest pick-up in service sector growth was offset by an easing in the rate of manufacturing output expansion. Overall, however, the latter continued to outperform the former, in part reflecting goods exporters benefitting from stronger demand outside of the single currency area.

Manufacturers reported an increase in production for the eighth month in a row, with the rate of increase slowing slightly but nevertheless registering the second-best monthly expansion of output since April 2011. New orders rose, but the rate of increase likewise slowed. Factory employment meanwhile increased for the second successive month, registering the first such period of jobs growth for over two years.

Service sector business activity increased for the seventh month running, showing the largest rise since September and the second-largest since June 2011. Growth of new business also picked up but, as with activity, the rate of growth remained only modest compared to standards seen prior to the financial crisis. Service sector employment fell very marginally as a result of the overall sluggish nature of the upturn. However, companies remained upbeat about the year ahead, with optimism holding steady on the two-and-a-half year high seen in January.

By country, Germany and France once again saw contrasting trends. **German** companies reported the strongest expansions of activity and new orders since June 2011, with job creation running at the highest since January 2012 as firms expanded capacity to meet demand. Strong demand also enabled German firms to raise prices. The outlook also improved, with service sector optimism about the year ahead reaching its highest since March 2011.

French firms reported a fourth successive monthly fall in business activity, with the rate of decline accelerating as new orders also fell at a faster rate. Headcounts were cut at a stronger rate as a result, and weak demand meant firms cut selling prices on average again as they sought to stimulate sales. Manufacturing output rose slightly, registering only the second monthly increase seen in the past two years on the back of better exports. Service sector activity, in contrast, fell at the fastest rate since last May. French service firms nevertheless reported the highest expectations for activity since March 2012.

Outside of France and Germany, the **rest of the region** saw business activity rise for the seventh consecutive month. The rate of increase dipped slightly but remained close to the near-three year high seen in January. Growth of new orders hit the highest for three years, but employment and selling prices fell once again. Expectations in the service sector about the year ahead remained elevated, but eased to a four-month low.

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

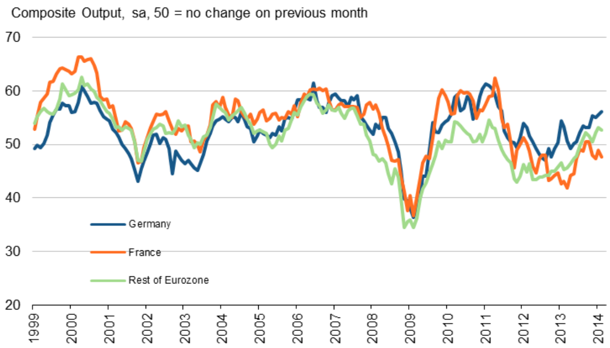
"A dip in the eurozone PMI provides a reminder that the region's recovery continues to be uneven and fragile. The slight easing in growth is disappointing, but it's too early to read too much into one month's data, especially as the rate of growth of new orders picked up to its highest since mid-2011. Looking at the latest two months as a whole, the PMI suggests the region is on course to see GDP expand by up to 0.5% in the first quarter, which would be the strongest growth for three years.

"Growth continued to be led by Germany, which contrasts with a worrying renewed downturn in France, where malaise in the domestic economy is offsetting better export performance and suggests there is a risk of the French economy contracting again in the first quarter. Germany, on the other hand, is likely to see GDP increase by as much as 0.7%. The 'periphery' is meanwhile enjoying its best period of growth since early-2011, which should help drive a more broad-based and sustainable expansion as we move through 2014.

"Unemployment looks set to remain a worry, as companies report ongoing pressure to keep headcounts down to reduce costs and boost competitiveness. Prices also continue to fall, albeit at the slowest rate for almost two years, as companies could often only generate sales via discounting."

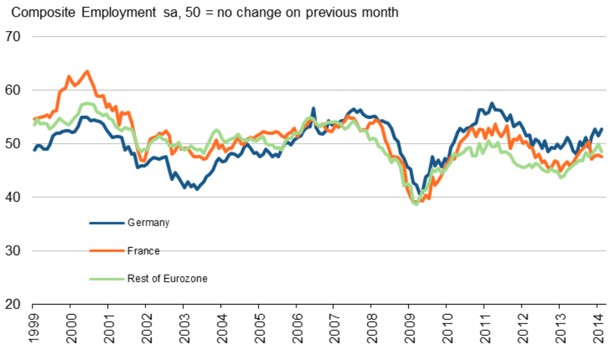
-Ends-

Core v. Periphery PMI Output Indices



Source: Markit

Core v. Periphery PMI Employment Indices

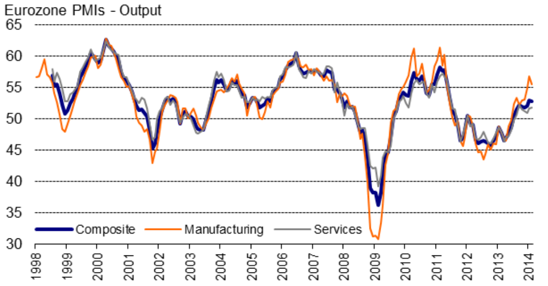


Source: Markit

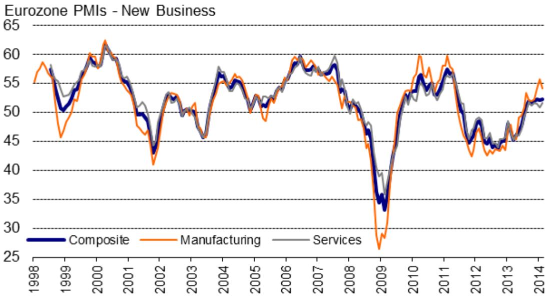
Summary of February data

Output	**Composite**	**Output increases for eighth month running, but at slightly weaker pace.**
	Services	Activity increases for seventh month running, and at fastest pace since September.
	Manufacturing	Output growth eases since January but remains solid.
New Orders	**Composite**	**New business growth edges up to 32-month high.**
	Services	New business growth picks up from January's marginal pace.
	Manufacturing	New order growth eases for first time since October.
Backlogs of Work	**Composite**	**Backlogs decline marginally.**
	Services	Outstanding business declines further.
	Manufacturing	Backlogs rise for fifth month running, albeit more slowly.
Employment	**Composite**	**Employment remains stable.**
	Services	Employment broadly unchanged since January.
	Manufacturing	Workforce grows at fractional pace.
Input Prices	**Composite**	**Input price inflation slows to five-month low.**
	Services	Input price inflation little-changed from January.
	Manufacturing	Input prices rise only marginally.
Output Prices	**Composite**	**Output prices fall at weakest rate since May 2012.**
	Services	Charges decline for twenty-seventh month running.
	Manufacturing	Factory gate prices rise for sixth month running.
PMI(3)	Manufacturing	PMI eases to two-month low of 53.0.

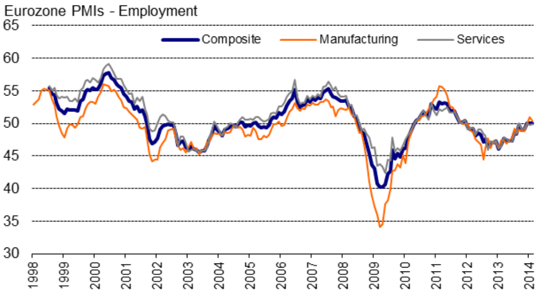
Output



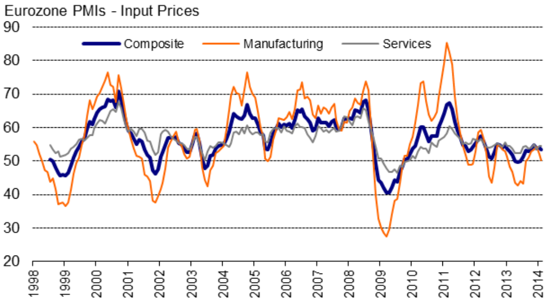
New business



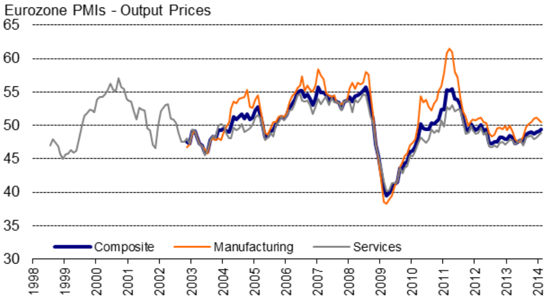
Employment



Input prices



Output prices



Source: Markit.

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Note to Editors:

Final February data are published on 3 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 5,000 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 *PMI*[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 diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ over 3,000 people in 11 countries. For more information, please see www.markit.com.

About PMI

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.