

News Release

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

Includes Markit Eurozone Services PMI[®]

Eurozone downturn accelerates despite German growth

- Final Eurozone Composite Output Index: **47.9** (Flash 47.3, January 48.6)
- Final Eurozone Services Business Activity Index: **47.9** (Flash 47.3, January 48.6)

At 47.9 in February, the **Markit Eurozone PMI[®] Composite Output Index** came in above the earlier flash estimate of 47.3 but remained down on January's reading of 48.6.

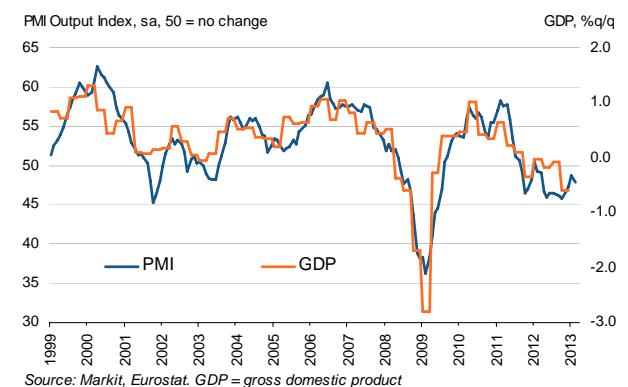
The index therefore signalled a steepening of the downturn in business activity, contrasting with the easing trend which had been evident in the three months to January. However, the rate of decline remained less severe than seen in any of the nine months prior to January, and the average contraction seen over the first quarter so far has been the smallest since the first quarter of last year.

The drop in the composite PMI was driven by the **Services Business Activity Index** likewise falling from 48.6 to 47.9 (also up from a flash reading of 47.3). The faster rate of contraction in services was accompanied a similar set-back in manufacturing, although in both cases the rates of decline remained weaker than seen in the final quarter of last year.

Inflows of **new orders** fell at a faster rate, albeit slightly less than the flash estimate had signalled. While new business fell at a sharper rate in services, manufacturers reported the smallest drop in new orders since June 2011.

With inflows of new business still falling, firms cut **headcounts** for the fourteenth month running. However, the rate of job cutting eased compared to January's three-year record, and was slightly less marked than that signalled by the flash reading.

Markit Eurozone PMI and GDP



Nations ranked by all-sector output growth (Feb.)

Germany	53.3	2-month low
Ireland	52.8	6-month low
Spain	45.3	2-month low
Italy	44.4	3-month low
France	43.1	2-month high

Comment:

Chris Williamson, Chief Economist at Markit said:

"The dip in the Eurozone PMI compared to January is a disappointment, but the region still looks set to see a much smaller drop in GDP in the first quarter compared to the 0.6% decline seen in the final quarter of last year, with the PMI so far consistent with a 0.2% GDP decline."

"Worryingly, the divergence between Germany and France so far this year is the widest in the 15-year survey history. Germany is on course to see the strongest quarterly growth since the spring of 2011, but France is contracting at the fastest rate for four years."

"The deteriorating picture in the periphery is also a concern. Rates of decline picked up in Italy and Spain, with further weakness likely in Italy especially in coming months due to the uncertainty caused by the elections."

"The outlook therefore seems to largely depend on whether Germany can continue to expand and offset the weakness in France, Italy and Spain, which seems a tall order, meaning hopes of a return to growth for the region by mid-2013 are now looking too optimistic."

Services and manufacturing combined:

Prices charged fell for the eleventh successive month, though the decline was the weakest since last May. Charges were lowered in both manufacturing and services, albeit to only a marginal extent in the former. Discounting in services largely reflected the widespread need to compete on price in the face of weak domestic demand.

Input costs rose at the slowest rate for six months, but strong variations were again evident by sector. While input costs in the service sector rose at an identical rate to January, manufacturers' input costs fell for the first time in six months.

Services:

The Eurozone service sector contracted for the thirteenth successive month in February, with the rate of decline accelerating slightly from the ten-month low seen in January.

Ongoing strong growth in Germany – albeit to a weaker extent than in January – was countered by marked contractions in France, Spain and Italy.

New business fell for the eighteenth month in a row, dropping at a faster rate than in January – though less steeply than seen throughout the second half of last year.

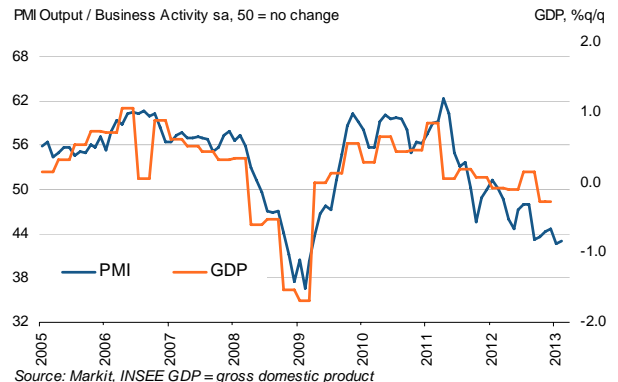
Backlogs of work fell at the fastest rate for three months due to the deterioration in new business, dropping for the twentieth successive month.

The worsening order book situation also prompted service providers to cut **headcounts** for the fourteenth consecutive month, albeit with the rate of job losses easing compared to January (and being slightly less marked than the flash estimate).

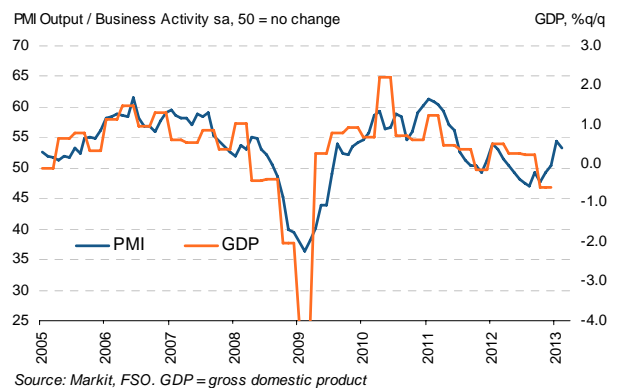
Service providers' **optimism** regarding future business activity levels over the coming year deteriorated from January's eight-month high, but remained above the average seen throughout last year.

Average input costs rose at the same rate as in January, with inflation reflecting higher energy prices. Meanwhile, service providers' **selling prices** fell at the slowest rate for nine months, as the need to pass higher costs on to customers in part offset the need to offer discounts in the face of weak demand and stiff competition.

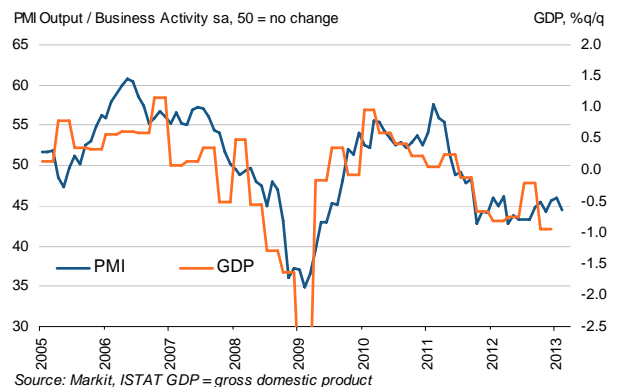
France



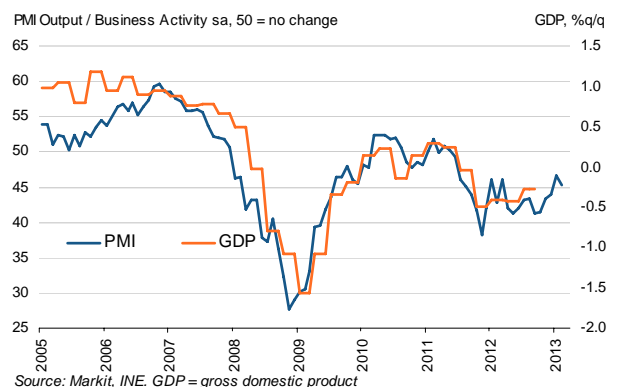
Germany



Italy



Spain



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Notes to Editors:

The Eurozone Composite *PMI*[®] (*Purchasing Managers' Index*[®]) is produced by Markit and is based on original survey data collected from a representative panel of around 5,000 manufacturing and services firms. 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 Eurozone Services *PMI* (*Purchasing Managers' Index*) is produced by Markit and is based on original survey data collected from a representative panel of around 2,000 private service sector firms. National data are included for Germany, France, Italy, Spain and the Republic of Ireland. These countries together account for an estimated 80% of Eurozone private sector services output.

The **final** Eurozone Composite *PMI* and Services *PMI* follows on from the **flash** estimate which is released a week earlier and is typically based on approximately 75%–85% of total *PMI* survey responses each month. The February composite flash was based on 84% of the replies used in the final data. The February services flash was based on 80% of the replies used in the final data. **Data were collected 12-25 February.**

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 <i>PMI</i> [®]	0.0	0.3
Eurozone Services Business Activity <i>PMI</i>	0.0	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.

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