

# News Release

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 0900 (UK Time) 24 January 2013**

## Markit Flash Eurozone PMI®

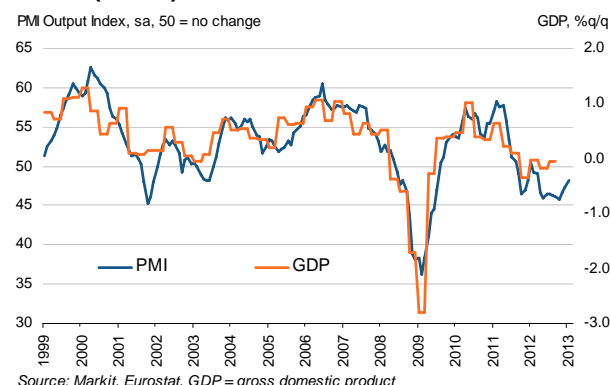
### Eurozone downturn eases as PMI hits ten-month high

- Flash Eurozone PMI Composite Output Index<sup>(1)</sup> at 48.2 (47.2 in December). Ten-month high.
- Flash Eurozone Services PMI Activity Index<sup>(2)</sup> at 48.3 (47.8 in December). Ten-month high.
- Flash Eurozone Manufacturing PMI<sup>(3)</sup> at 47.5 (46.1 in December). Ten-month high.
- Flash Eurozone Manufacturing PMI Output Index<sup>(4)</sup> at 48.0 (46.0 in December). Ten-month high.

Data collected 11-23 January.

The **Markit Eurozone PMI® Composite Output Index** rose for the third consecutive month in January according to the flash estimate, up to a ten-month high of 48.2 from 47.2 in December, and up sharply from October's post-crisis low of 45.7. However, while the PMI suggests that the recent downturn may have reached its strongest back in October, the survey continues to signal falling activity overall – which has been the case in 16 of the past 17 months.

#### Markit (Flash) Eurozone PMI and GDP



Manufacturers reported a drop in production for the eleventh successive month, though the rate of decline eased markedly to the weakest in the past ten months. The rate of decline in service sector activity likewise eased, and also registered the weakest monthly fall in the past ten months.

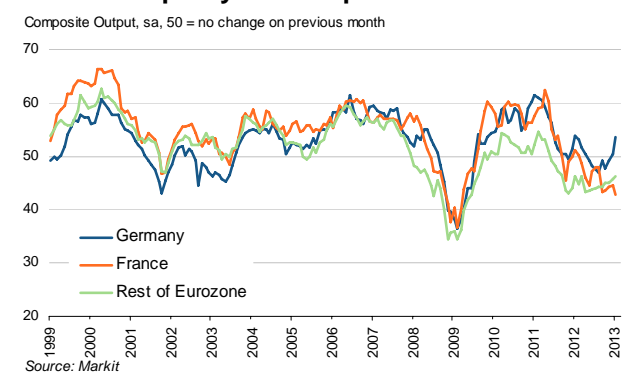
Trends were far more varied by country, notably among the two largest euro member states. While output across both manufacturing and services grew at the fastest rate for a year in Germany, French companies reported the steepest downturn since March 2009.

The renewed expansion in Germany was led by the service sector recording the strongest growth for a year-and-a-half, while manufacturing reported the first, albeit marginal, increase in production since March.

Output fell sharply in France, and at faster rates in both manufacturing and services.

Outside of France and Germany the average rate of decline remained strong, but moderated for the fourth month in a row to the weakest since last March.

#### Core v. Periphery PMI Output Indices



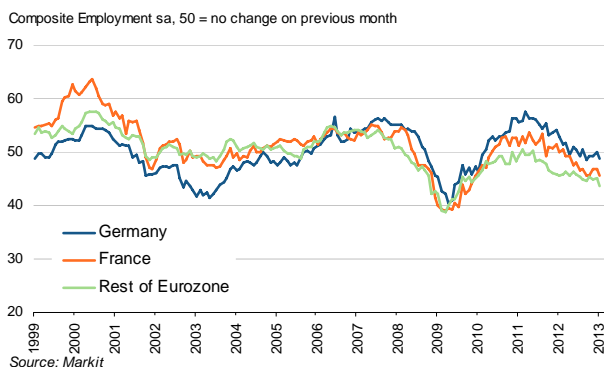
#### Order books and employment

The rate of decline in Eurozone new business also slowed in January, with companies reporting the weakest contraction for 11 months. Rates of decline eased in both manufacturing and services to the weakest for 11 and ten months respectively. Manufacturers also reported the smallest drop in new export orders for a year-and-a-half.

The slower rate of loss of new orders caused

backlogs of work to be depleted at the slowest rate since last March. But firms still cut back on their headcounts for the thirteenth consecutive month. Moreover, the rate of job losses hit the highest since November 2009, accelerating across both the manufacturing and service sectors. Faster rates of job shedding were seen in both Germany and France, and across the rest of the Eurozone on average.

### Core v. Periphery PMI Employment Indices



### Muted prices pressures

Prices charged fell for the tenth month running as firms sought to boost competitiveness and win sales, though they showed the smallest monthly decline since May. Selling prices fell in both manufacturing and services, with the latter reporting the steeper rate of decline.

Charges were lowered despite rising input prices. That said, the rate of input cost inflation was the weakest since September.

### Business expectations reach eight-month high

Looking ahead, service sector business expectations for the coming year improved for the third successive month to reach an eight-month record. Sentiment reached eight- and five-month peaks in Germany and France respectively, and climbed to a ten-month high across the rest of the region.

The forward-looking new orders-to-inventories ratio in manufacturing meanwhile rose to an 11-month high, suggesting that firms will seek to raise production in the coming months.

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

*“The January flash PMI data suggest that the Eurozone economic downturn has eased at the start of 2013. While official data are likely to confirm that the region contracted at a stronger rate in the final quarter of last year, the outlook has since brightened with January seeing the smallest drop in business activity since last March.*

*“Forward-looking indicators – such as business confidence and the new orders-to-inventory ratio – also suggest that the rate of decline will continue to slow in the coming months, and a return to growth looks to be on the cards during the first half of 2013.*

*“Worrying signs of weakness persist, however, with companies cutting staff at a faster rate, reflecting the need to keep costs as low as possible in the face of ongoing uncertainty about the economic outlook.*

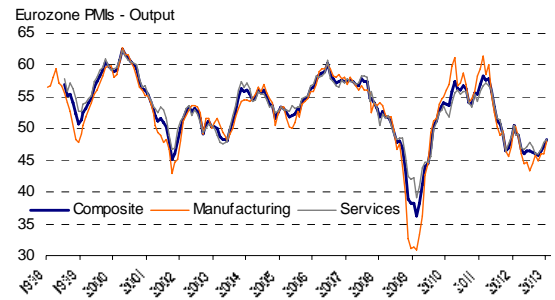
*“Trends also remained worryingly divergent within the single currency area, creating tensions for policymakers. While Germany is reporting a strengthening upturn, France is seeing the steepest downturn since early-2009.”*

-Ends-

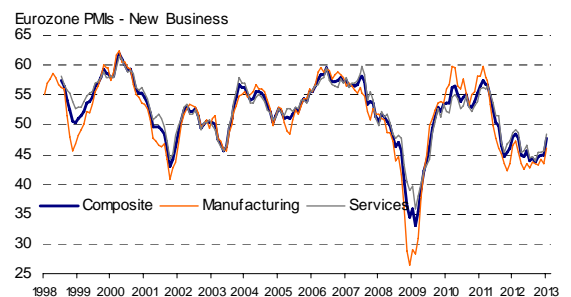
## Summary of January data

<b>Output</b>	<b>Composite</b>	<b>Output falls for twelfth month running, but at slowest pace since March 2012 (48.2).</b>
	Services	Activity falls at weakest rate since March 2012.
	Manufacturing	Output falls at weakest rate since March 2012.
<b>New Orders</b>	<b>Composite</b>	<b>New business declines at slowest pace since February 2012.</b>
	Services	New business falls at slowest rate since March 2012.
	Manufacturing	New orders fall at slowest pace since February 2012.
<b>Backlogs of Work</b>	<b>Composite</b>	<b>Slowest decline in backlogs in ten months.</b>
	Services	Nineteenth successive monthly decline.
	Manufacturing	Backlogs fall at slowest rate in 17 months.
<b>Employment</b>	<b>Composite</b>	<b>Jobs decline at fastest pace since November 2009.</b>
	Services	Jobs shed at fastest pace since September 2012.
	Manufacturing	Employment declines for twelfth month running.
<b>Input Prices</b>	<b>Composite</b>	<b>Input price inflation at five-month low.</b>
	Services	Input price inflation at two-month low.
	Manufacturing	Weak rise in input prices.
<b>Output Prices</b>	<b>Composite</b>	<b>Output prices fall for tenth month running.</b>
	Services	Charges down for fourteenth month running.
	Manufacturing	Output prices fall for seventh time in eight months.
<b>PMI<sup>(3)</sup></b>	Manufacturing	PMI below 50.0 for eighteenth month running, but improves to ten-month high of 47.5.

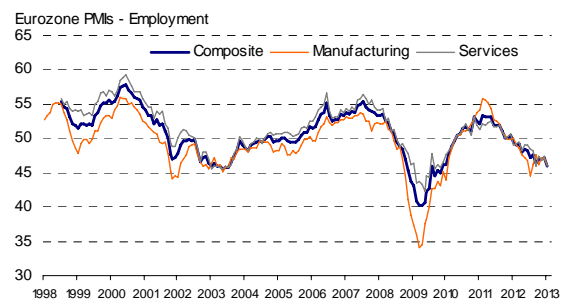
## Output



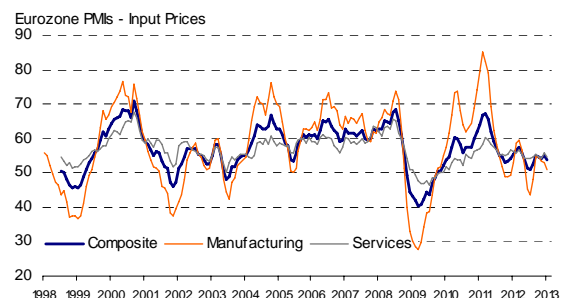
## New business



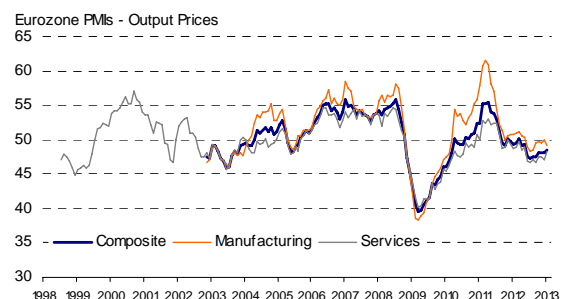
## Employment



## Input prices



## Output prices



Source: Markit.

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**Note to Editors:**

Final January data are published on 1 February for manufacturing and 5 February for services and composite indicators.

The Eurozone *PMI*<sup>®</sup> (*Purchasing Managers' Index*<sup>®</sup>) 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 <sup>1</sup>	0.0	0.2
Eurozone Manufacturing <i>PMI</i> <sup>3</sup>	0.0	0.2
Eurozone Services Business Activity Index <sup>2</sup>	0.1	0.3

The *Purchasing Managers' Index*<sup>®</sup> (*PMI*<sup>®</sup>) 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*<sup>®</sup> 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](mailto: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**

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**About PMIs**

Now available for 32 countries and key regions including the Eurozone, *Purchasing Managers' Index*<sup>®</sup> (*PMI*<sup>®</sup>) surveys have become 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](http://www.markit.com/economics).

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