

## News Release

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:00 (UK Time) 4 January 2013**

### Markit Eurozone Composite PMI® – final data

Includes Markit Eurozone Services PMI®

#### Eurozone downturn eases at the end of 2012. Germany returns to growth, but recessions continue in France, Italy and Spain

- Final Eurozone Composite Output Index: **47.2** (Flash 47.3, November 46.5)
- Final Eurozone Services Business Activity Index: **47.8** (Flash 47.8, November 46.7)

The Eurozone downturn eased further at the end of 2012, as rates of contraction in economic output and new business slowed. At a nine-month high of 47.2 in December, the **Markit Eurozone PMI® Composite Output Index** was nonetheless weaker than the earlier flash estimate and below the 50.0 no-change mark for the eleventh successive month.

The average reading for the headline index over Q4 as a whole (46.5) was little changed from those recorded in Q3 (46.3) and Q2 (46.4), and below the annual average (47.2).

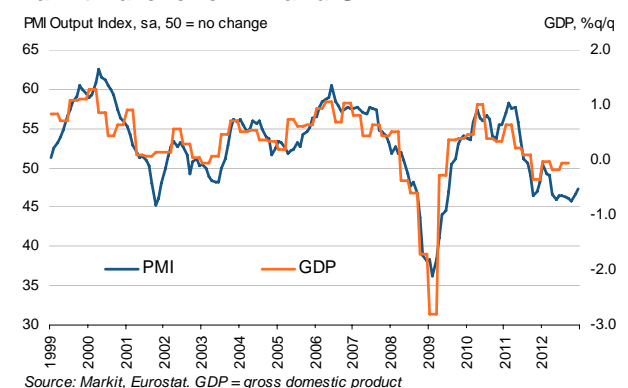
December saw output continue to fall in both the **manufacturing** and **service** sectors. Manufacturing remained the weaker performer, with production falling for the tenth straight month in tandem with weak demand from both domestic and export markets. Service providers reported a drop in business activity for the eleventh month in a row, although the rate of contraction eased to the slowest since July 2012.

There was a welcome return to growth for Germany, where a solid expansion of services activity offset ongoing contraction at manufacturers. Ireland continued to report a marked rate of expansion. France, Italy and Spain all remained in recession, but there was at least some brighter news from these nations, with rates of contraction easing in all three in December.

#### Nations ranked by all-sector output growth (Dec.)

Ireland	54.2	3-month low
Germany	50.3	8-month high
Italy	45.7	11-month high
France	44.6	4-month high
Spain	43.9	9-month high

#### Markit Eurozone PMI and GDP



#### Comment:

**Chris Williamson, Chief Economist at Markit** said: *“The PMI surveys provide some hope that the Eurozone is showing signs of lifting out of its deep double-dip recession. The surveys rose to multi-month highs in all four of the largest euro member countries, suggesting that rates of decline eased in France, Italy and Spain while the economic situation stabilised in Germany.*

*“But the improvements in December are unlikely to prevent the Eurozone economy having contracted at a sharper rate in the fourth quarter, and strong growth disparities are likely to persist for some time. However, the surveys at least bring some substance to the belief that the worst is over and that a return to growth is in sight for the region in 2013.”*

### Services and manufacturing combined:

Market conditions remained subdued at the end of 2012, with the level of **incoming new business** contracting for the seventeenth straight month. Declines were reported by both manufacturers and service providers.

Ireland was the only nation to report an increase in new orders, although rates of reduction did ease in Germany and Spain. In a worrying development, the rate of decline in France and Italy both accelerated, to the sharpest since March 2009 and July 2012 respectively, which may put further pressure on the trend in headline activity in coming months.

Weak demand continued to result in available spare capacity in the Eurozone private sector, reflected in a further marked decrease in **backlogs of work**. However, the rate of depletion in outstanding business eased to its slowest since August.

Further **job losses** were implemented during December, with both manufacturers and service providers reporting further cuts to payroll numbers. In contrast to the broader trend, Ireland continued to report solid job creation in December. There were also signs of the German labour market stabilising, as a modest increase in service sector payrolls offset further jobs cuts at manufacturers. Employment fell again in France, Italy and Spain, with rates of loss broadly similar to November.

Inflationary pressures remained muted overall at the end of 2012, mainly due to companies needing to remain price competitive in the face of lacklustre demand. **Prices charged** fell for the ninth month running in December. Price discounting was seen in the service sector, whereas factory gate prices were unchanged. However, the combined rate of decline in output prices over Q4 2012 as a whole was less marked than in the prior quarter.

Average **input costs** rose at a slightly sharper pace in December, with rates of increase edging higher in each of the big-four economies. Input prices rose in both the Eurozone manufacturing and service sectors, with the steeper inflation signalled by service providers.

### Services:

The Eurozone service sector contracted for the eleventh consecutive month in December, as levels of incoming new business continued to decline.

At a five-month high of 47.8, up from 46.7 in November, the Markit **Eurozone Services Business Activity Index** was unchanged from the earlier flash estimate and consistent with a solid reduction in output.

The weakness was centred on France, Italy and Spain – all of which reported lower levels of output – although rates of decline did ease in the latter two. In contrast, business activity rose in Germany for the first time since July, while growth was recorded in Ireland for the fifth successive month.

The level of incoming **new business** contracted for the sixteenth successive month in December. The rate of decline in new order inflows was still above the average for this sequence, despite easing to a six-month low in the latest survey period. New business declined in France, Italy and Spain, rose strongly in Ireland and edged back into growth territory in Germany.

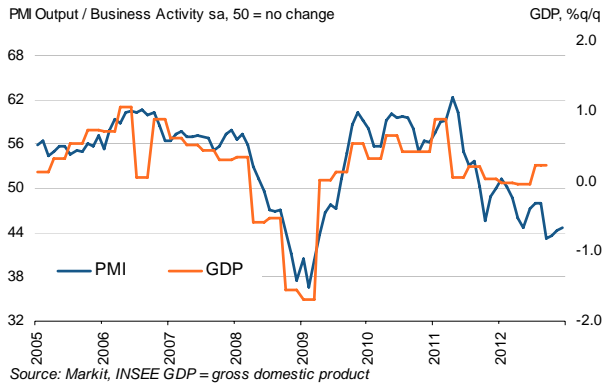
Spare capacity remained available in the sector during December, as **backlogs of work** contracted further. **Job losses** have also been reported in each month of 2012, with December seeing further cuts implemented in France, Italy and Spain. Germany saw a modest increase in employment for the second time in the past three months (meaning payroll numbers stabilised over Q4 2012 as a whole) and there was solid job creation in Ireland.

**Input price inflation** accelerated to a nine-month high in December, reflecting higher costs for energy, staffing and transportation. In contrast, average **service charges** declined at the fastest pace in three months. Germany was again the only nation to report an increase in selling prices.

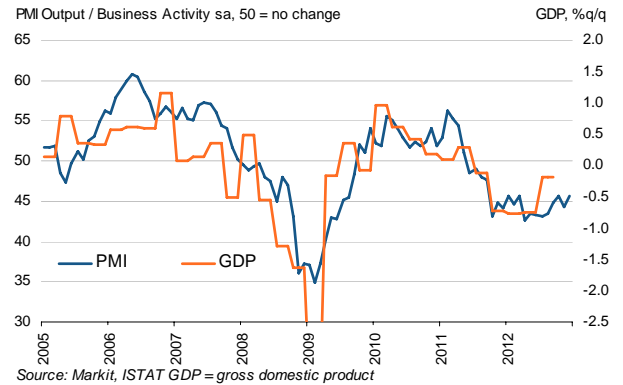
**Confidence** regarding output levels in one year's time remained subdued at the end of 2012, despite rising to a four-month high in December. The degree of positive sentiment improved in France and Spain, while optimism declined over the month in Italy and Ireland. German service providers reported a neutral outlook for the year ahead.

## PMI and GDP comparisons:

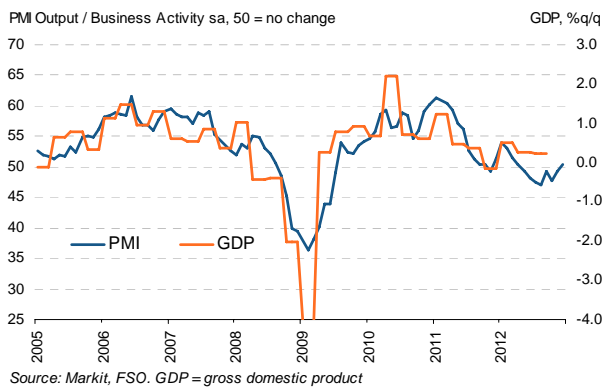
### France



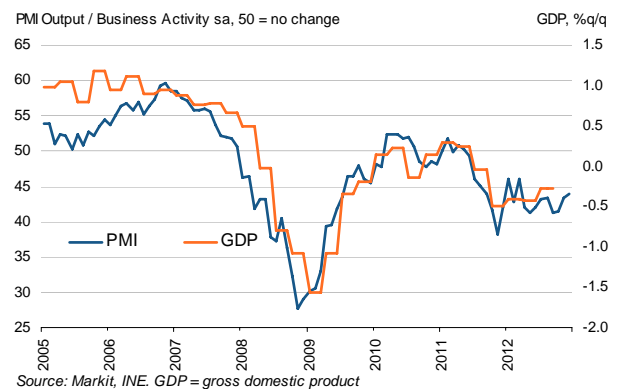
### Italy



### Germany



### Spain



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**Notes to Editors:**

The Eurozone Composite *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 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 December composite flash was based on 86% of the replies used in the final data. The December services flash was based on 75% of the replies used in the final data. **Data were collected 5-18 December.**

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> <sup>®</sup>	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](mailto:economics@markit.com).

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**About PMIs**

*Purchasing Managers' Index*<sup>®</sup> (*PMI*<sup>®</sup>) 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](http://www.markit.com/economics).

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