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 eases but national divergence hits record high

- Final Eurozone Composite Output Index: **48.6** (Flash 48.2, December 47.2)
- Final Eurozone Services Business Activity Index: **48.6** (Flash 48.3, December 47.8)

At 48.6 in January, from 47.2 in December, the **Markit Eurozone *PMI*® Composite Output Index** rose to a ten-month high and came in above its earlier flash estimate of 48.2. Although signalling a further deterioration in output of the Eurozone private sector economy, the rate of decline has now eased for three straight months.

Both manufacturing production and service sector business activity declined at the slowest rates since last March, with similar modest rates of decline seen in each sector.

Inflows of new orders fell at the slowest pace since last February, dropping at reduced rates in both manufacturing and services. Goods producers continued to see the steeper rate of contraction.

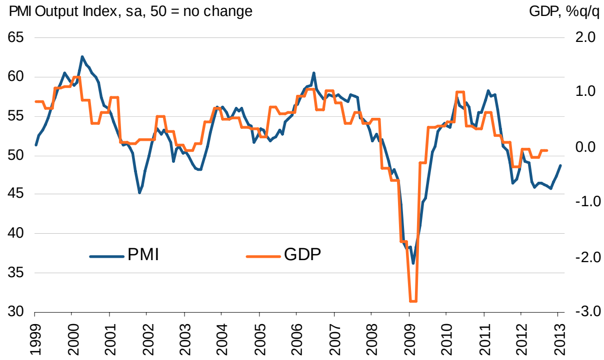
A diverse picture was seen among the four largest euro members, with strong growth in Germany – output grew at the fastest rate for just over a year-and-a-half – contrasting with ongoing downturns in France, Italy and Spain. Output in France fell at the steepest rate of these four countries, registering the fastest monthly decline since March 2009 and causing the gap between the headline indices for France and Germany to increase to the widest in the survey history. The rate of decline also accelerated slightly in Italy, but eased to a 19-month low in Spain.

While Germany saw new orders rise for the first time in 11 months, France, Italy and Spain all saw rates of decline ease.

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

Ireland	54.9	2-month high
Germany	54.4	19-month high
Spain	46.5	19-month high
Italy	45.4	2-month low
France	42.7	46-month low

Markit Eurozone PMI and GDP



Source: Markit, Eurostat. GDP = gross domestic product

Comment:

Chris Williamson, Chief Economist at Markit said:

"The eurozone is showing clear signs of healing, with the downturn easing sharply in January and the region moving closer to stabilisation in the first quarter.

"Growth is heavily skewed towards Germany, however, where the contrast with the contraction seen in France is the greatest seen since the survey began in 1998. While German companies reported the strongest growth for almost a year-and-a-half, French firms suffered the steepest downturn for nearly four years, with output falling at a much faster rate than in both Spain and Italy.

"More encouragingly, rates of loss of new business eased in France, Italy and Spain, accompanied by a return to growth in Germany, presenting a more consistent picture of demand moving in the right direction across the region."

Services and manufacturing combined:

The Eurozone labour market remained in the doldrums at the start of 2013. **Job cuts** were reported for the thirteenth straight month, with the rate of loss hitting the fastest for over three years. Ireland was the only nation covered to report higher employment in January, although Germany signalled only a slight reduction in workforce numbers. Rates of decline remained steep and gathered pace in France, Italy and Spain.

Price pressures remained muted in January. Average prices charged declined for the tenth successive month, with price discounting signalled for almost all of the nations covered by the survey. Germany was the sole exception, seeing charges rise modestly for the fourth month in a row. Charges elsewhere were lowered despite rising input prices. However, the overall rate of cost inflation eased to a five-month low.

Services:

The Eurozone service sector contracted for the twelfth successive month in January. At 48.6, up from 47.8 in December, the Markit **Eurozone Services Business Activity Index** rose to a ten-month high and signalled only a modest reduction in business activity. The rate of contraction was also slightly slower than signalled by the earlier flash estimate.

The French, Italian and Spanish service economies all remained in contraction in January. Rates of decline gathered pace in France and Italy – to the fastest since March 2009 and July 2012 respectively – but slowed in Spain to the weakest in the current 19-month sequence of contraction.

The performances of Germany and Ireland were much stronger in comparison, with growth hitting a 19-month peak in Germany and near five-and-a-half year high in Ireland.

Levels of **new business** also declined at the start of 2013 but, as with total activity, the rate of contraction eased to a ten-month low. New order inflows deteriorated in France, Italy and Spain – albeit at slower rates than in December – in contrast to solid improvements in Germany and Ireland.

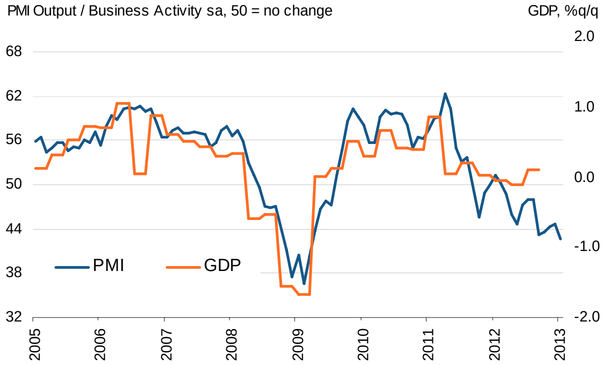
Service providers' **optimism** regarding future performance improved to an eight-month high in January. All of the nations covered by the survey expect output to be higher in one year's time, with the degree of sentiment rising in each case.

Job losses were reported for the thirteenth month running in January, with the latest survey signalling a further solid reduction that was the sharpest for four months. France, Italy and Spain all reported steep and accelerated cuts. On a more positive note, Ireland increased employment to the greatest extent since March 2007, while payroll numbers in Germany improved slightly for the third time in the past four months.

The ongoing downturn in the sector and weak market demand led to further **price discounts** in January, despite a solid increase in **average input costs**. Germany was the only nation to report an increase in output charges.

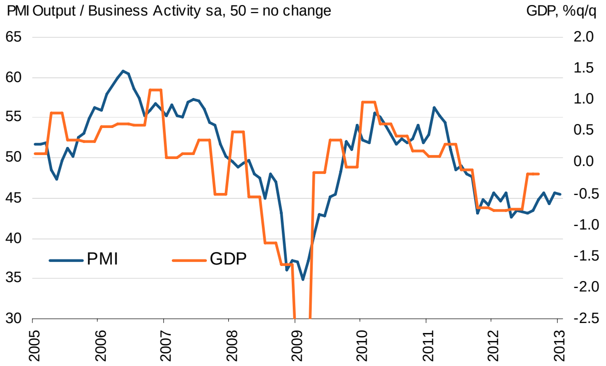
PMI and GDP comparisons:

France



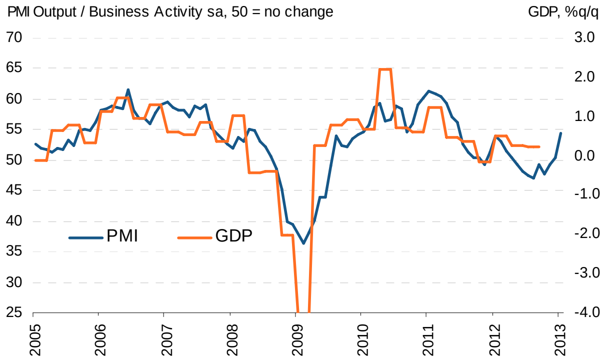
Source: Markit, INSEE GDP = gross domestic product

Italy



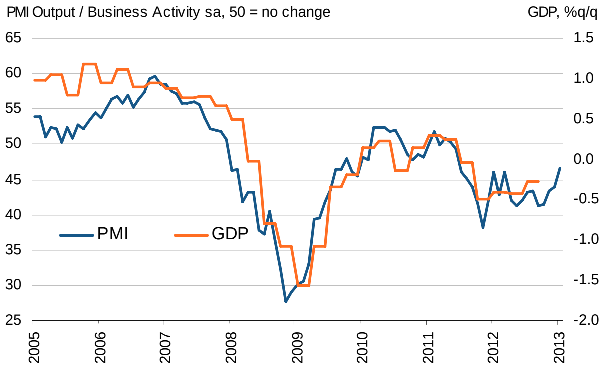
Source: Markit, ISTAT GDP = gross domestic product

Germany



Source: Markit, FSO. GDP = gross domestic product

Spain



Source: Markit, INE. GDP = gross domestic product

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For further information, please contact:

Markit
Chris Williamson, Chief Economist
Telephone +44-20-7260-2329
Mobile +44-779-5555-061
Email chris.williamson@markit.com

Rob Dobson, Senior Economist
Telephone +44-1491-461-095
Mobile +44-7826-913-863
Email rob.dobson@markit.com

Caroline Lumley, Director, Corporate Communications
Telephone +44-20-7260-2047
Mobile +44-7815-812-162
Email caroline.lumley@markit.com

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 January composite flash was based on 90% of the replies used in the final data. The January services flash was based on 83% of the replies used in the final data. **Data were collected 11-28 January.**

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 *PMI*®	0.0	0.3
Eurozone Services Business Activity *PMI*	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.

About Markit
Markit is a leading, global financial information services company with over 2,800 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial marketplace. For more information, see www.markit.com.

About PMIs
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.