

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 to slowest in three months in May

- Final Eurozone Composite Output Index: **47.7** (Flash 47.7, April 46.9)
- Final Eurozone Services Business Activity Index: **47.2** (Flash 47.5, April 47.0)
- Germany ekes out marginal growth, while downturns ease in Spain and France

The downturn in the eurozone economy eased for the second month running in May. Rates of decline eased for both manufacturing production and service sector business activity, reaching 15- and three-month lows respectively.

At 47.7, the final **Markit Eurozone PMI[®] Composite Output Index** was in line with its earlier flash estimate and above April's 46.9.

Germany edged out of contraction territory in May, as an improvement in its manufacturing sector offset a slight decrease in service sector business activity. Although the downturns in France, Spain and Italy all remained marked, rates of contraction eased to a five-month low in France, 23-month low in Spain and stabilised in Italy.

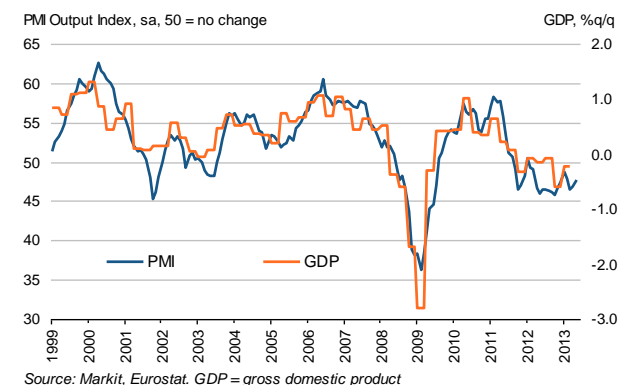
The outlook for eurozone output is likely to be impacted by the ongoing deterioration in new order inflows, as **new business** contracted for the twenty-second successive month. Service sector new business fell at a sharper pace than the prior month, whereas the downturn in manufacturing new orders moderated to a slight pace.

New order inflows declined across the big-four eurozone nations. Rates of decline eased sharply in Spain, moderated in Germany and France, but gathered pace in Italy.

Job losses were reported for the seventeenth successive month during May. This reflected **payroll numbers** falling further in France, Italy and

Spain, and declining for the first time in four months in Germany. Spare capacity remained available despite job losses, as signalled by further depletion of **backlogs of work**.

Markit Eurozone PMI and GDP



Nations* ranked by all-sector output growth (May)

Germany	50.2	2-month high
Spain	47.2	23-month high
Italy	46.6	Unchanged
France	44.6	5-month high

* Ireland services and all-sector PMI data are released on 6th June

Price deflationary pressures were evident in the eurozone economy in May, with output prices and input costs both lower than in the prior month.

Input costs fell slightly for the second month in a row, as a solid increase in service providers' costs was more than offset by the steepest drop in manufacturing purchase prices since July 2009 (reflecting lower commodity costs).

Meanwhile, strong competition and lacklustre demand led to a further cut in average **selling prices**, with manufacturers and service providers reporting broadly similar solid rates of decrease. Marked price discounting was seen in France, Italy and Spain, whereas charges were little-changed

over the month in Germany.

Services:

The downturn in the eurozone service sector remained solid in May, despite easing for the second month running. At 47.2, up from 47.0 in April, the **Services Business Activity Index** was below its earlier flash estimate of 47.5 and has now signalled contraction for 16 consecutive months.

Services output fell across the big-four eurozone nations in May. The contraction in Germany remained only marginal, while the rate of decline in Spain eased sharply to a 23-month low. Italy was the only nation to report a faster contraction of business activity, although its downturn was still less marked than that seen in France.

Service providers reported that any effort to raise business activity was being stymied by the ongoing decline in **incoming new business**, as new work inflows deteriorated at an accelerated pace in May. Rates of decline gathered pace in France and Italy, but eased in Germany and Spain.

Lower new business intakes had an impact on **business confidence** which fell to its lowest level in the year-to-date. Optimism declined in each of the big-four eurozone nations.

May data signalled the sharpest rate of job losses in the eurozone service sector for three months, continuing a sequence of falling **employment** that began at the start of 2012. Further solid reductions in payroll numbers were reported by France, Italy and Spain, while employment in Germany fell for the first time in six months.

Average input prices rose further in May, although the rate of inflation remained well below the average for the current three-and-a-half year sequence of inflation. Meanwhile, **average service charges** fell for the eighteenth month in a row, reflecting weak demand and strong competition. Only Germany saw an increase in selling prices.

Comment:

Chris Williamson, Chief Economist at Markit said:

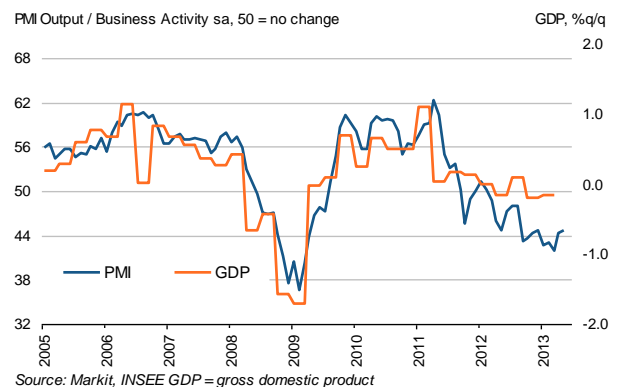
“The final PMI confirms the message from the earlier flash reading that the eurozone remains gripped in the longest recession since the birth of the single currency, set to endure a seventh successive quarter of decline in the second quarter. The survey points to GDP falling by 0.2%, similar to the decline seen in the first quarter.

“Policymakers and politicians will nevertheless seek solace in the fact that the rate of decline has now eased for two consecutive months, and that Germany is stabilising. Downturns have also eased in France, Italy and especially Spain since earlier in the year.

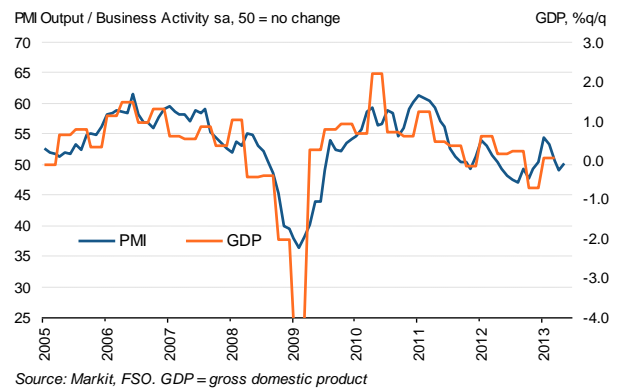
“However, the reality is that the region lacks any growth drivers, making it difficult to believe that anything better than a mere stabilisation of economic activity remains unlikely for the foreseeable future.”

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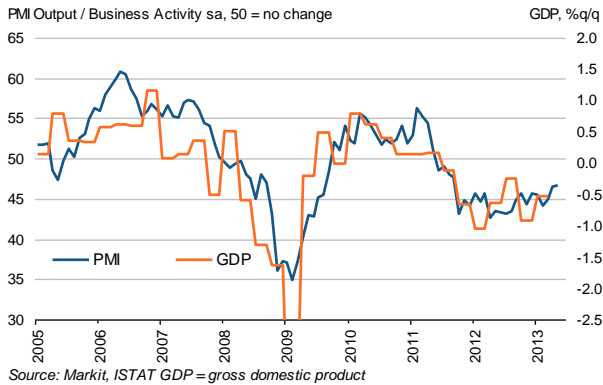
France



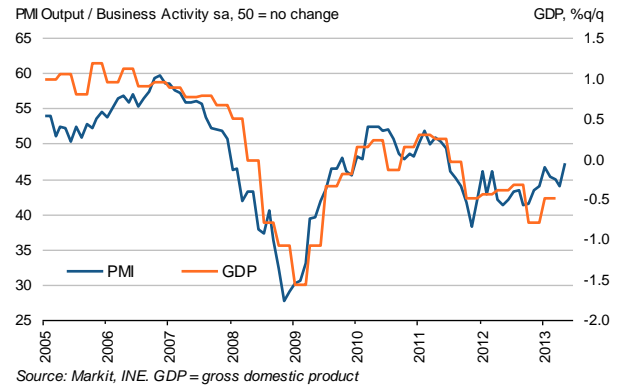
Germany



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 May composite flash was based on 85% of the replies used in the final data. The May services flash was based on 76% of the replies used in the final data. **Data were collected 13-28 May.**

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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