News Release

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

Includes Markit Eurozone Services PMI®

Eurozone economic recovery accelerates at end of 2013

- Final Eurozone Composite Output Index: **52.1** (Flash 52.1, November 51.7)
- Final Eurozone Services Business Activity Index: **51.0** (Flash 51.0, November 51.2)

The upturn in the eurozone private sector economy gained momentum in December. Although the recovery remained modest and fragile overall, growth of output was nonetheless recorded throughout the second half of 2013.

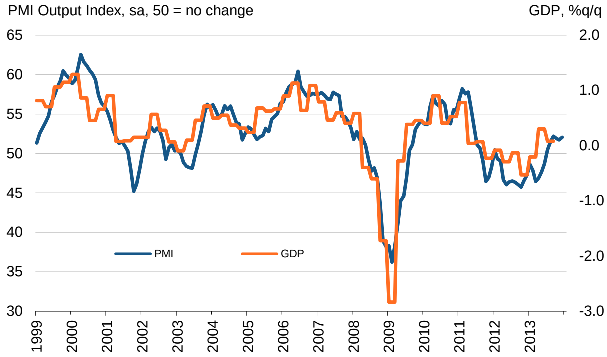
At a three-month high of 52.1 in December, up from 51.7 in November, the final **Markit Eurozone *PMI*® Composite Output Index** rose to its second-highest level during the past two-and-a-half years. Moreover, the average reading for the final quarter of the year was above that for the prior quarter.

Manufacturing continued to lead the recovery in December. Growth of production accelerated to its fastest since May 2011, as new orders improved aided by a solid increase in new export business.

Service sector business activity also increased further, although the rate of expansion remained modest and eased to a four-month low. This mainly reflected the ongoing weakness of some domestic markets, hindered on the consumer side by still-high unemployment in certain nations.

Marked performance differentials also remained prominent between the member states of the currency union. Ireland and Germany stayed atop the PMI output growth league table, while Spain was the biggest mover over the month with its PMI output index surging to a near six-and-a-half year record. Output in Italy held steady, while France was the only one of the big-four nations to report contractions of both output and new orders.

Markit Eurozone PMI and GDP



Source: Markit, Eurostat. GDP = gross domestic product

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

Ireland	58.6	2-month high
Germany	55.0	2-month low
Spain	53.9	77-month high
Italy	50.0	2-month high
France	47.3	7-month low

Eurozone employment was unchanged in December. This was a slight improvement compared to the marginal job losses signalled by the earlier flash estimate, and halted a 23-month sequence of cuts to payroll numbers.

Germany and Ireland both saw solid and accelerated rates of job creation, with the rate of increase in Germany hitting a near two-year record. Although further losses were reported in France, Italy and Spain, the rates of decline eased in all three nations.

Average input prices rose for the seventh month running in December. However, the rate of inflation eased since November and was low by the historical standards of the survey. Pricing power remained weak, as highlighted by further selling price discounts at service providers. In contrast, manufacturing output charges rose slightly.

Services:

The recovery in the eurozone service sector was extended to five months in December. At 51.0, unchanged from the earlier flash estimate, the **Eurozone Services Business Activity Index** fell to a four-month low, down from November's 51.2, to signal an easing in the overall rate of increase.

Ireland registered the sharpest rate of expansion in services output of the five nations covered, with growth rising to a near seven-year record. Spain also reported faster expansion – the strongest in nearly six-and-a-half years – while Germany reported slower growth than in November. France and Italy continued to contract, with rates of decline broadly unchanged from November and similarly modest.

Growth of new business at eurozone service providers remained lacklustre during December, as faster increases in Ireland and Spain were offset by slower growth in Germany and outright declines in France and Italy. The subdued trend in demand meant that outstanding business in the euro area service sector declined again, extending the current sequence to two-and-a-half years.

Companies maintained a positive outlook for the sector in December, amid expectations that an improvement in underlying economic conditions in 2014 would support higher demand. The overall degree of positive sentiment rose to its highest since mid-2011, with confidence improving in France and Italy and remaining strong in Ireland and Spain. German service providers were the least optimistic overall.

Employment was broadly unchanged over the month in December, following marginal job losses in the prior two months. Payroll numbers rose at faster rates in Germany (two-year high) and Ireland (five-month peak). This was offset by ongoing job losses in France, Italy and Spain.

Input price inflation eased to a six-month low in December, down from November's 11-month record and below the long-run survey average. Service providers' pricing power remained weak, however, leading to a drop in output charges for the twenty-fifth successive month. Only Germany reported an increase in selling prices.

Comment:

Chris Williamson, Chief Economist at Markit said:

"The PMI surveys indicate that the eurozone recovery gained further traction at the end of last year. December saw the second-largest increase in business activity since June 2011 and rounded off the best quarter for two-and-a-half years.

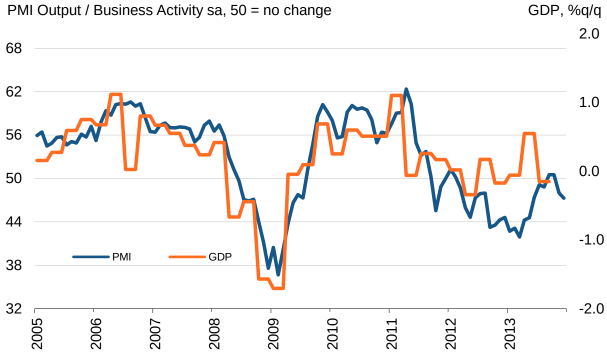
"Although consistent with a mere 0.2% expansion of GDP during the final quarter, the PMI signalled a strong turnaround in the health of the economy during the course of 2013, and stronger growth looks likely for the first quarter of 2014.

"Most importantly, the labour market stabilised in December, ending a period of falling employment that lasted nearly two years. With inflows of new work accelerating, a return to jobs growth should be seen in 2014. The revival in consumer confidence that should result from the labour market improvement should provide an all-important boost to the economy in 2014.

"However, while the region as a whole looks set for a strengthening recovery in 2014, growth is uneven, with France in particular having possibly slid back into recession late last year. The upturn in the rest of the region may help bring about a return to growth in France, but the data are highlighting the need for structural reforms to bring about a more sustainable and robust recovery in the region's second-largest economy."

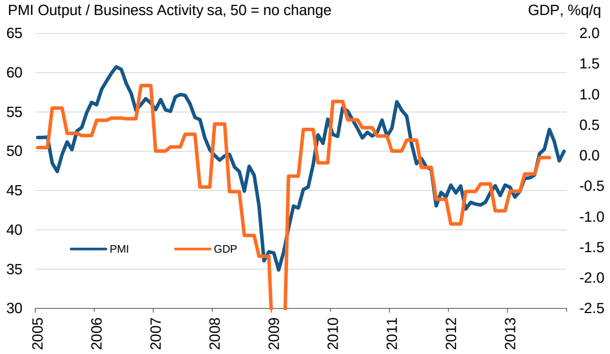
-Ends-

France



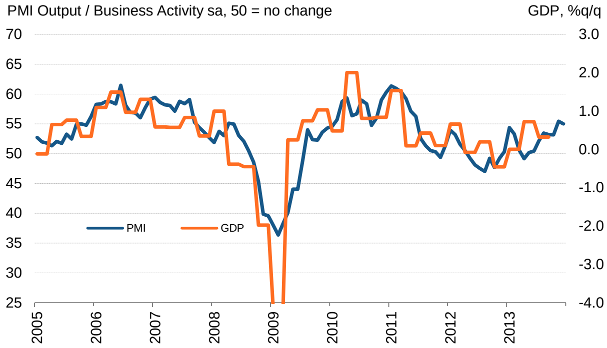
Source: Markit, INSEE GDP = gross domestic product

Italy



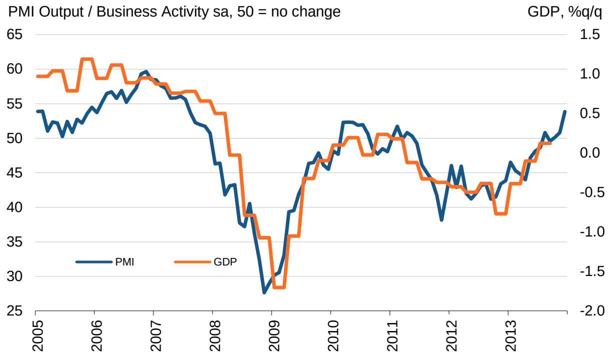
Source: Markit, ISTAT GDP = gross domestic product

Germany



Source: Markit, FSO. GDP = gross domestic product

Spain



Source: Markit, INE. GDP = gross domestic product

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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 December composite flash was based on 87% of the replies used in the final data. The December services flash was based on 78% 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 *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 3,000 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 PMI
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.