

## News Release

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:00 (UK Time) 5 August 2013**

### Markit Eurozone Composite PMI<sup>®</sup> – final data

Includes Markit Eurozone Services PMI<sup>®</sup>

#### Eurozone economy stabilises as German recovery accelerates and downturns ease in France, Italy and Spain

- Final Eurozone Composite Output Index: **50.5** (Flash 50.4, June 48.7)
- Final Eurozone Services Business Activity Index: **49.8**. (Flash 49.6, June 48.3)
- German recovery gains momentum while downturns in France, Italy and Spain ease further

July marked a tentative return to expansion for the eurozone economy, as manufacturing output posted a solid expansion and the trend in services activity moved close to stabilisation.

At 50.5 in July, the final **Markit Eurozone PMI<sup>®</sup> Composite Output Index** rose to a near two-year high and posted above the neutral 50.0 mark for the first time since January 2012. The headline index was marginally above its flash reading of 50.4.

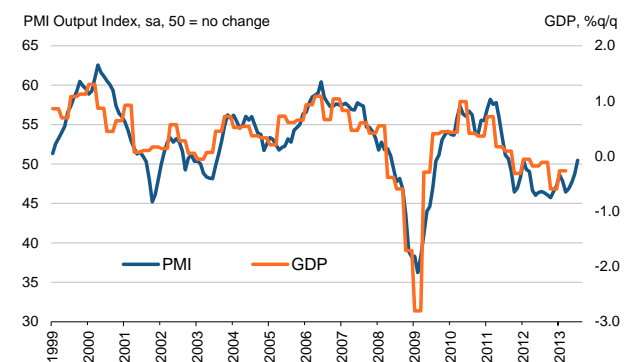
Manufacturing production rose at the fastest pace since June 2011, as the sector registered output growth for the first time in 17 months. Meanwhile, the rate of contraction in services business activity was negligible and the weakest during the current one-and-a-half year downturn in the sector.

Among the big-four nations, growth was led by **Germany**, where rates of increase in manufacturing output and service sector activity hit 17- and five-month highs respectively. France, Italy and Spain meanwhile saw their respective overall rates of contraction ease further.

**France** and **Italy** both moved close to stabilisation, as solid growth at manufacturers largely offset slower declines at service providers. **Spain** saw output decline in both sectors.

July also saw slower falls in both new business and employment across the combined eurozone manufacturing and services sector.

**Markit Eurozone PMI and GDP**



Source: Markit, Eurostat. GDP = gross domestic product

#### Nations ranked by all-sector output growth (Jul)\*

Germany	52.1	5-month high
Italy	49.7	26-month high
France	49.1	17-month high
Spain	48.6	25-month high

\*Ireland services and composite data are released on 6<sup>th</sup> August

The level of **incoming new business** fell at the second-slowest pace during the current two-year period of decline, and at a weaker rate than signalled by the earlier flash estimate. Meanwhile, the pace of **job losses** was the weakest in 16 months, as rates of decline eased in France, Italy and Spain and Germany saw a modest return to job creation.

Ongoing strong competition continued to reduce firms' pricing power during July, as average **selling prices** fell for the sixteenth straight month and at a slightly sharper pace than in June. Germany was the only nation to report an increase in charges.

In contrast, modest **input cost inflation** was signalled during July, although this was mainly centred on service providers. Service sector input costs rose to the greatest extent in five months,

whereas manufacturing input prices fell at one of the fastest rates seen during the past four years.

#### Services:

At 49.8 in July, up from the flash estimate of 49.6, the **Services Business Activity Index** indicated that the euro area service sector moved to the verge of stabilisation. Although the sector has contracted throughout the past one-and-a-half years, the latest rate of decline was the weakest during that sequence.

**Germany** was the strongest performer among the big-four nations, with output growth accelerating to a five-month high. **France, Italy** and **Spain** meanwhile all saw business activity decline at broadly similar rates. The rates of contraction in the latter two were the weakest during their respective periods of decline, while the latest drop in France was the slowest in 11 months.

July also saw weaker falls in demand and employment at euro area service providers, and another improvement in the outlook for the sector. The level of **incoming new business** contracted at the slowest pace during the current downturn, as declines in France, Italy and Spain all slowed and Germany registered growth.

**Job losses** were recorded for the nineteenth straight month in July, but the rate of reduction eased to a one-year low. German staffing levels rose for the first time in three months, but this was offset by further declines in France, Italy and Spain.

**Business confidence** hit a 16-month high at the start of the third quarter, as the slowing decline in new business provided encouragement for service providers. Levels of optimism improved across the big-four nations.

Intense competition caused **average charges** to fall further during July. Output prices have now fallen for 20 consecutive months. Only Germany reported an increase in charges during the latest survey, in marked contrast to the substantial and accelerated price discounting signalled by French, Italian and Spanish service providers.

Meanwhile, **input price** inflation picked up to a five-month high in July. Strong and accelerated rates of increase were signalled for Germany (six-month high) and Italy (15-month high). Input price inflation was little-changed in France, while Spain reported a

slight decrease in costs.

#### Comment:

**Rob Dobson, Senior Economist at Markit** said:

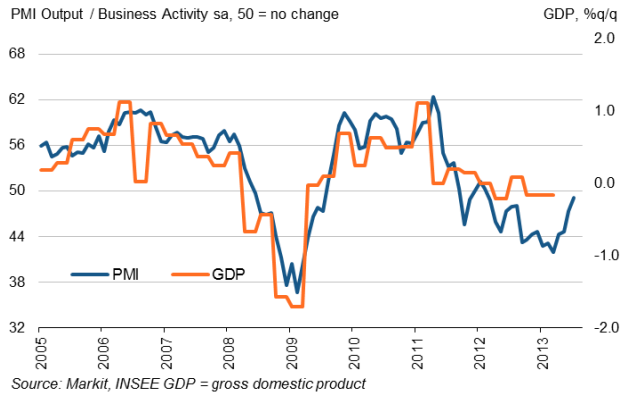
*“The final Output Index reading of 50.5 confirms a welcome return to growth for the Eurozone economy at the start of the third quarter, raising hopes that the region can finally claw its way out of its longest-running recession. Granted, the euro area has experienced false dawns before, but the improvements in confidence and other forward-looking indicators warrant at least some optimism for the outlook this time around. Germany posted a return to expansion in July, while the downturns in the other big-four economies all eased.*

*“Manufacturing is leading the way out of contraction, with some nations benefitting from improved export demand. The real sparks which will hopefully ignite the recovery are the increasing signs of stabilisation in domestic markets. This not only aided manufacturers, but also pulled the service sector right back to the cusp of recovery.*

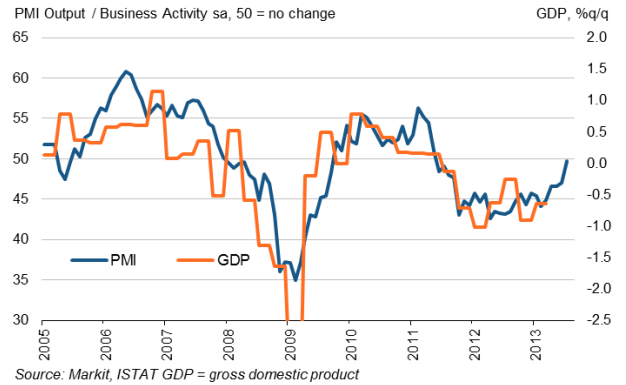
*“The labour market remains the main bugbear of the eurozone, as rising joblessness hurts growth and raises political and social tensions. But even here there was some better news, with the rate of job cutting easing to a 16-month low. With price pressures also relatively contained, the ECB will maintain its confidence that there are brighter skies on the horizon.”*

-Ends-

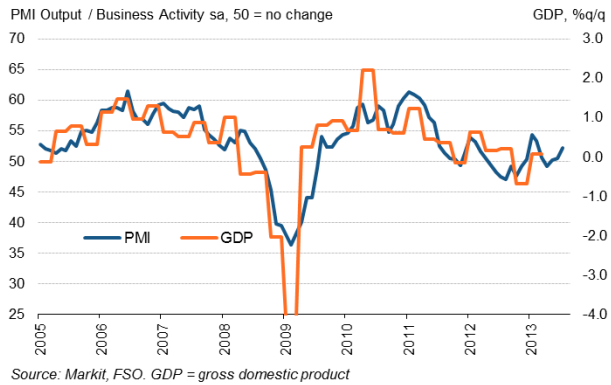
### France



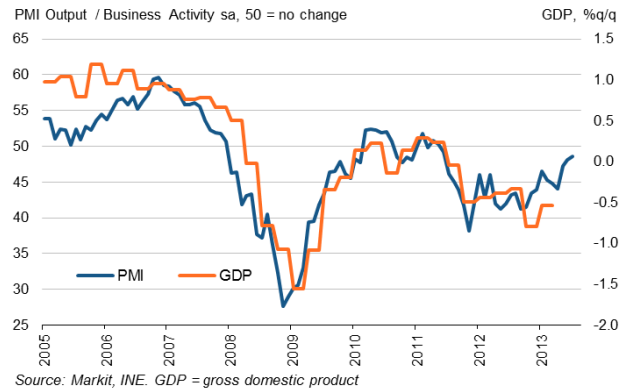
### Italy



### 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 July composite flash was based on 88% of the replies used in the final data. The July services flash was based on 82% of the replies used in the final data. **Data were collected 12-26 July.**

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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