News Release

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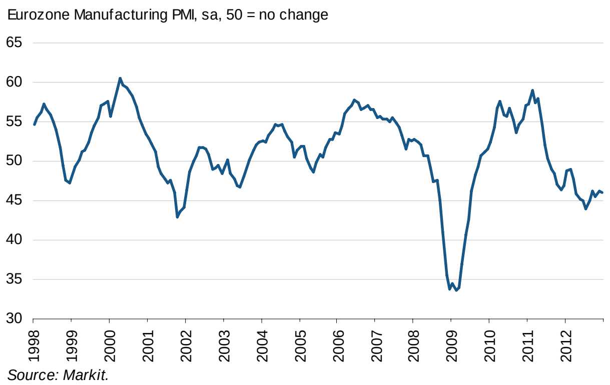
Markit Eurozone Manufacturing PMI® – final data

Eurozone manufacturing ends 2012 mired in recession, as demand from domestic and export markets remains weak

Data collected 5–14 December.

- Final Eurozone Manufacturing PMI at 46.1 in December (flash estimate 46.3)
- Downturn remains widespread, with all nations bar Ireland reporting contractions
- Cost caution leads to job losses and further scaling back of inventory holdings

Manufacturing PMI® (overall business conditions)



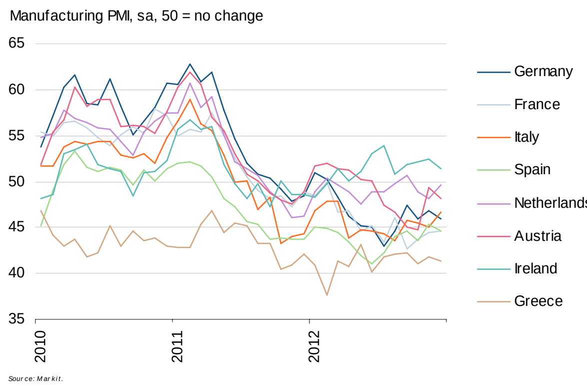
The Eurozone manufacturing sector ended the year on a weak footing, with levels of production and new orders both contracting further in December. Rates of decline accelerated slightly over the month and were stronger than the earlier flash estimates.

At 46.1 in December, down from 46.2 in November, the seasonally adjusted Markit **Final Eurozone Manufacturing PMI®** signalled contraction for the seventeenth straight month. The PMI was also below its earlier flash estimate of 46.3.

Ireland was the only nation to report improved operating conditions. Downturns accelerated in **Germany**, **Spain**, **Austria** and **Greece**, but eased in **France**, **Italy** and **the Netherlands**. Greece remained bottom of the PMI league table, still well adrift of the next-weakest performing nations France and Spain.

Countries ranked by Manufacturing PMI® (Dec.)

Ireland	51.4	4-month low
Netherlands	49.6	3-month high
Austria	48.1	2-month low
Italy	46.7	9-month high
Germany	46.0	2-month low
France	44.6	4-month high
Spain	44.6	2-month low
Greece	41.4	2-month low



Eurozone manufacturing **production** declined for the tenth successive month in December, as companies were hit by reduced inflows of both total new orders and incoming new export business.

However, over Q4 2012 as a whole, the average rates of decline in both output and new orders were the slowest since the opening quarter of the year.

The latest decline in **new export orders** took the current sequence of contraction to one-and-a-half years, despite the rate of reduction easing slightly to a nine-month low. Lower levels of new export business reflected reduced trade flows between Eurozone nations and subdued demand in the wider global market.

Only Spain, the Netherlands and Ireland saw increases in new export orders during December, although the trend in Italy also moved closer to stabilising. In contrast, Germany, France and Greece all reported substantial declines in new export business. The pace of reduction eased slightly in Germany, but accelerated in France and Greece to the fastest rates since May 2009 and January 2009 respectively.

The ongoing downturn in the sector led to further **job losses** in December. Payroll numbers have now fallen in each of the past 11 months, with the latest decline broadly similar to that recorded in November. Job cuts were reported in all nations except Ireland, with rates of loss gathering pace in Germany, Spain, Austria and Greece. However, the extent of the reductions in Germany and the Netherlands remained only moderate.

Lower employment also reflected ongoing cost caution and signs of excess capacity. Companies' reluctance to increase costs was highlighted by further reductions in **inventory holdings** and a substantial scaling back of **purchasing activity**. Meanwhile, spare resources were diverted towards completing existing contracts, leading to a further marked drop in **backlogs of work** (albeit the weakest since May).

Price pressures remained relatively subdued in December. Weak demand and strong competition meant that **selling prices** were unchanged, although this was nonetheless an improvement on the discounting reported in the prior six months. **Input cost** inflation eased further and was the weakest during the current four-month sequence. This mainly reflected the trend in Germany, where a slight decrease in purchasing costs was signalled. The other nations covered by the survey all saw sharper increases in input prices, except the Netherlands.

Comment:

Chris Williamson, Chief Economist at Markit said:

"The eurozone manufacturing sector remained entrenched in a steep downturn at the end of the year. Although not as severe as in the autumn, the survey indicates that production continued to fall at a quarterly rate of approximately 1% in December, therefore acting as a severe drag on the wider economy. The region's recession therefore looks likely to have deepened, possibly quite significantly, in the final quarter.

"Manufacturers look to be in for another tough year in 2013, though prospects have brightened a little, as producers should benefit from signs of stronger demand in key export markets such as the US and China. Improving competitiveness remains the key to success, however, and Ireland perhaps provides a reassuring example to other countries of how exports can rise on the back of structural reforms.

"Much of course also depends on how the region's debt crisis evolves over coming months, and any set-backs could mean the resulting damage to domestic business and consumer confidence could easily offset any gains made in export markets outside of the eurozone."

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Note to Editors:

The Eurozone Manufacturing *PMI*® (*Purchasing Managers' Index*®) is produced by Markit and is based on original survey data collected from a representative panel of around 3,000 manufacturing firms. National data are included for Germany, France, Italy, Spain, the Netherlands, Austria, the Republic of Ireland and Greece. These countries together account for an estimated 90% of Eurozone manufacturing activity.

The final Eurozone Manufacturing *PMI* follows on from the flash estimate which is released a week earlier and is typically based on approximately 85%–90% of total *PMI* survey responses each month. The December flash was based on 94% of the replies used in the final data.

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 Manufacturing *PMI*®	0.0	0.2

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 revised data are available to subscribers from Markit. Please contact economics@markit.com.

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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.