

# News Release

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:00 (UK Time) 3 August 2011**

## Markit Eurozone Composite PMI® – final data

### Eurozone drifts nearer to stagnation in July, as Germany and France slow further and Spain falls back into contraction

Data collected 12–26 July.

**Key points:**

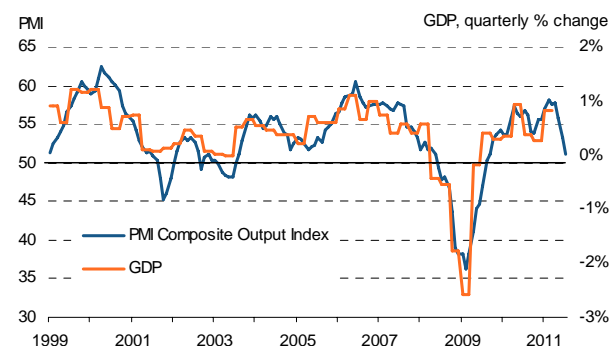
- Final Eurozone Composite Output Index at 22-month low of 51.1 in July (flash estimate: 50.8).
- Growth led by France, as Germany slows sharply. Contractions seen in Italy and Spain.
- Further job creation in Germany and France, while pace of losses eased outside of the big-two.

**Output growth slips closer to stagnation**

Having eased sharply in each of the previous three months, Eurozone private sector growth moved closer to stagnation at the start of Q3 2011.

The **Final Eurozone PMI® Composite Output Index** fell to 51.1 in July, down from 53.3 in June. Although above the earlier flash estimate of 50.8, the final reading was still the lowest since September 2009. Activity has risen throughout the past two years.

**Markit Eurozone PMI and GDP**



Sources: Markit, Eurostat. GDP = Gross domestic product.

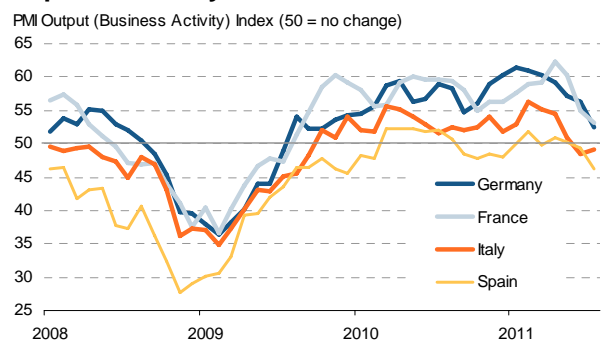
Output growth eased in both the manufacturing and service sectors in July. Manufacturing production scarcely rose over the month. Meanwhile, the rate of expansion in service sector business activity was the weakest since September 2009.

The slowdown was broad-based by nation. Rates of expansion were the least marked since October 2009 and August 2009 in Germany and France respectively, and well below those seen in the opening quarter of the year. Further contractions were seen in Italy and Spain. In the case of Spain, the rate of decline was the steepest for 19 months.

**Nations ranked by output (July)**

France	53.2	23-month low
Germany	52.5	21-month low
Italy	49.1	2-month high
Spain	46.1	19-month low

**Output indices by nation**



The principal factor underlying weaker output growth was a near stagnation of inflows of incoming new business. Levels of new work slowed on the back of weakening conditions in domestic markets and the first decline in new manufacturing export business (including intra-Eurozone trade) for two years.

The rate of expansion in new business eased sharply in Germany (weakest in two-year period of growth) and also moderated in France (23-month low). Italy reported a further reduction, while Spain saw new orders fall back into contraction with the

steepest rate of decline since the end of 2009.

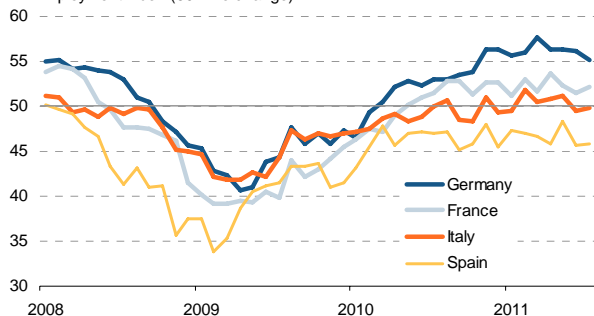
### Job creation continues in big-two nations, rates of reduction ease in Italy and Spain

Job creation held up comparatively well in light of the slower expansions in output and new business. Employment rose for the fifteenth month running in July, with the rate of increase only slightly below the average for that period. Payroll numbers rose at both manufacturers and service providers.

The slowdown mainly reflected weaker job creation in Germany. However, Germany still reported the strongest increase in payroll numbers overall, followed at some distance by France (which saw a faster rate of jobs growth than in June). Although further losses were recorded in Italy and Spain, rates of decline eased in both nations.

### Employment indices by nation

PMI Employment Index (50 = no change)



Backlogs of work declined for the first time since November 2009. The reduction was only slight, further suggesting that the balance between order books and capacity was becoming more even. Outstanding business fell in almost all of the nations covered, the exception being France.

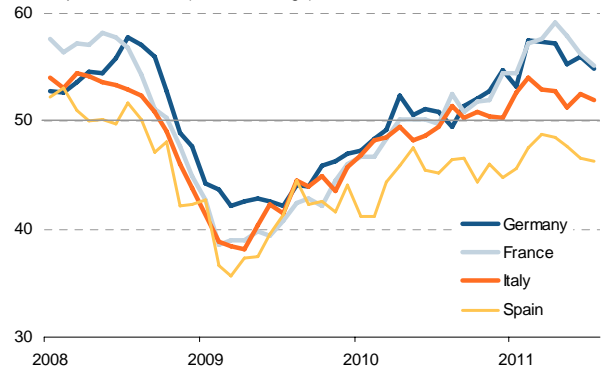
### Price pressures ease further in July

July saw output prices rise at the slowest pace for six months, while input cost inflation was at a one-year low. The respective rates of increase were slower than signalled by the earlier flash estimates.

Weaker increases in selling prices reflected the slowdown in demand growth. Germany, France and Italy all reported less marked rises, despite continuing to see selling price increases in their respective manufacturing and service sectors. In contrast, Spain saw only a negligible rise for manufacturing, while substantial price discounts were offered by service providers.

### Output price indices by nation

PMI Output Prices Index (50 = no change)



July saw average input price inflation ease further from March's 32-month high. Slower cost increases were reported in both the manufacturing and service sectors, with by far the sharper easing seen at manufacturers. Cost inflation slowed in all of the nations covered by the survey.

### Comment:

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

*"The final PMI data confirm that the Eurozone economy has entered a soft patch that has brought output growth to a near standstill. The effects are being felt across the currency union, with the big-two nations slowing sharply since the start of the year and recent months seeing the periphery falling back into contraction.*

*"As growth is still the best long-term path for the Eurozone to allay its debt ills, further signs of domestic market weakness and a drop in export sales are both acutely disappointing. The slower growth outlook they imply could even lead businesses to curtail hiring, which may further constrain the recovery going forward.*

*"It is also worth noting that at the time of writing the US debt ceiling is still under discussion. The outlook for the remainder of the year will also undoubtedly be affected by the outcome and implications of these discussions."*

-Ends-

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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 4,500 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 **final** Eurozone Composite *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 flash was based on 79% 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 Composite Output <i>PMI</i> <sup>®</sup>	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 subsequently revised data are available to subscribers from Markit. Please contact [economics@markit.com](mailto:economics@markit.com).

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*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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