

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 09:00 (UK Time), 1 August 2011

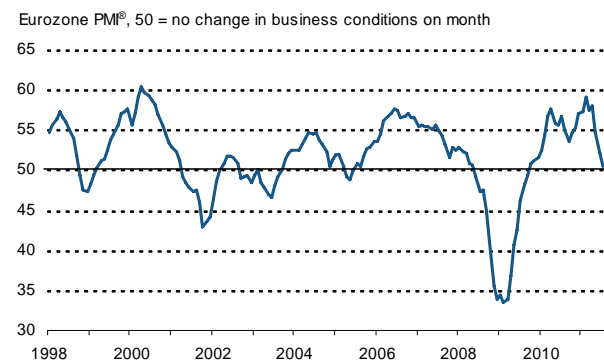
Markit Eurozone Manufacturing PMI[®] – final data

Eurozone manufacturing moves closer to stagnation in July

Data collected 12–22 July.

- Final Eurozone Manufacturing PMI at 50.4 in July, unchanged from earlier flash estimate.
- New order inflows decline in all nations except the Netherlands.
- Job creation recorded in Germany, France, the Netherlands and Austria.

Manufacturing PMI[®] (overall business conditions)



The Eurozone manufacturing recovery lost further momentum in July. The final **Markit Eurozone Manufacturing PMI[®]** fell to 50.4, below June's 52.0 and the weakest reading since the recovery began in October 2009. The level of the headline PMI was in line with the earlier flash estimate.

The slowdown was broad-based, with almost all of the national PMI indices coming in lower than their respective June levels. Germany, France, the Netherlands and Austria all reported weaker rates of expansion, while deteriorations in Greece and Spain gathered pace. Although the Italian PMI moved slightly higher in July, it was only to a level broadly consistent with stagnation.

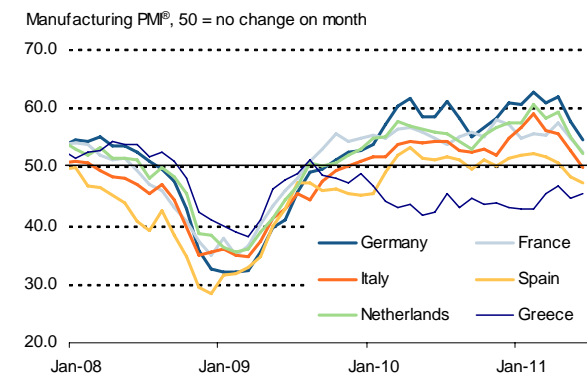
The consumer and intermediate goods sectors both saw operating conditions deteriorate in July. Although a further improvement was signalled for the

investment goods sector, the rate of expansion was the slowest since October 2009 and well below the series-record high achieved only six months ago.

Countries ranked by Manufacturing PMI[®] (July)

Germany	52.0	21-month low
Netherlands	51.4	21-month low
Austria	50.8	19-month low
France	50.5	24-month low
Italy	50.1	2-month high
Spain	45.6	18-month low
Greece	45.2	2-month low

Manufacturing PMI[®] by country



Output growth slowed following broad-based reduction in new order inflows

The ongoing period of expansion in manufacturing production extended into a twenty-fourth successive month in July. The rate of increase was the weakest during that sequence, albeit an improvement on the modest decline signalled by the earlier flash estimate. Growth of output slowed in Germany, France and Italy. Austria and the Netherlands both fell into contraction territory for the first time since June 2009, while Spain and Greece all saw production decline further.

The main factor underlying the near stagnation of

production volumes was reduced inflows of incoming new business. Manufacturing new orders in the Eurozone declined for the second month running, and to the greatest extent for just over two years. Almost all of the nations covered saw a drop in new work received, with only a marginal increase in the Netherlands bucking this trend.

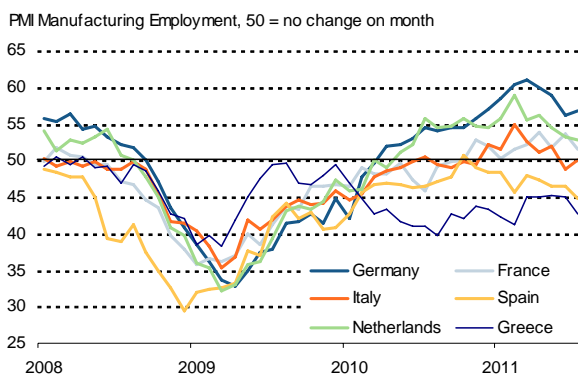
The decline in total new orders partly reflected a lower intake of new export work, as new export orders fell for the first time in two years. The steepest reduction was in Germany, while there were also decreases signalled in Spain, Austria and the Netherlands. Growth of exports picked up in France and Greece, but slowed in Italy.

Employment still rising in Germany, France, the Netherlands and Austria

Job creation was recorded for the fifteenth consecutive month in July. The rate of increase eased to the slowest since last October, however, and was weaker than the earlier flash estimate. Jobs growth was recorded in Germany, France, Austria and the Netherlands, but only Germany saw a faster rate of increase. Greece and Spain reported further job losses, while manufacturing employment in Italy was unchanged from one month earlier.

As well as slightly higher output, the latest rise in Eurozone manufacturing employment reflected efforts to reduce backlogs of work. Outstanding business subsequently fell for the second month running, and at the fastest pace since August 2009.

Manufacturing PMI[®] employment by country



Price pressures continue to ease

On the price front, rates of inflation in input costs and output prices eased to the weakest since January 2010 and October 2010 respectively.

July's increase in input prices was slightly less marked than the earlier flash estimate. Companies linked slower cost increases to recent falls in the price of commodities such as oil and steel. All of the nations for which data are collected saw a deceleration in average input price inflation, with the steepest easing seen in France, Italy and the Netherlands. The highest rates of increase were again registered in Germany and the Netherlands.

Selling price inflation slowed further from March's series-record high to a nine-month low. The trend in output charges was closely linked to that of input costs by surveyed companies. Average selling prices rose in all nations except Greece. However, where charge increases were reported, the extent of the rise was substantially less marked than the series-record highs seen earlier in the year.

Average supplier lead times lengthened again in July, extending the current sequence of increase to two years. However, the extent of the deterioration was the least marked since August 2009.

Comment:

Rob Dobson, Senior Economist at Markit said:

"The final PMI readings confirm a further drift towards stagnation for the Eurozone manufacturing sector, a marked turnaround from the surging growth seen at the beginning of the year. Manufacturing production scarcely rose during July, as new orders declined for the second month running. The breadth of the deterioration in order inflows is striking, with declines in new business seen not only in the periphery but also in the now rapidly-cooling core nations of France and Germany.

"Brighter news was to be found in the numbers on employment and prices. Job creation is holding up well in the face of weaker output growth, while input price inflation continued to slow to provide some welcome respite for manufacturers. Although companies continued to hike prices in response to rising costs, the extent of the increase in charges was the weakest since last October.

"The ability of firms to continue to raise employment and selling prices will be called into question, however, if the trend in demand fails to recover in the near-term horizon."

-Ends-

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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 July flash was based on 84% 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 <i>PMI</i> [®]	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

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