

News Release

MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0900 (UK Time) 5 January 2011

Markit Eurozone Composite PMI™ – final data

Eurozone recovery remained on track but uneven at the end of 2010, as strong France-Germany core offset weakness elsewhere

Key points:

- Growth of economic activity and new business stronger than earlier flash estimates.
- Big-two nations still leading, as domestic market weaknesses hit Italy, Spain and Ireland.
- Germany and France saw further job creation, offsetting the cuts seen elsewhere.

At 55.5 in December, unchanged from November's three-month high, the final **Markit Eurozone Composite Output Index** was above the earlier flash estimate of 55.0 and signalled an expansion in economic activity for the seventeenth consecutive month. Based on its historical relationship against official data, the headline index is consistent with Eurozone GDP rising at a quarterly rate of around 0.5% in the final three months of 2010.

Manufacturing output growth accelerated to a five-month high while expansion slowed in **services**, though was again solid.

Germany and France remained the principal drivers of the recovery. Germany saw growth hit a near survey record rate that was the fastest since June 2006's all-time high. The rate of increase remained robust in France, helped higher by a further surge in manufacturing output and resilient growth in services. This was despite disruptions to business caused by pension reform protests and bad weather.

The ongoing strength exhibited by the big-two Eurozone economies was again not matched by those on the periphery. The recovery in Italy slowed sharply, business activity fell in Spain for the fourth month running and Ireland fell back into contraction. This was mainly the result of domestic market weaknesses in these nations, which hit service providers especially hard, although in the case of Ireland the bad weather was also certainly a factor.

Eurozone **new business** rose at the fastest pace for eight months in December, as order inflows strengthened at both manufacturers and service providers. Germany saw new business rise at a

rate rarely exceeded in the survey history and growth accelerated in France. Italy saw a slower rate of increase, while Spain and Ireland both reported lower new order intakes.

The trend in manufacturing **new export orders** showed a broad-based acceleration in December. Growth picked up in all nations apart from Ireland and Greece – the former merely seeing slower growth but the latter suffering a firm reduction in new export orders.

Employment rose for the eighth month running. The rate of increase was slightly above the earlier flash estimate, but below November's 33-month high. Jobs growth was led by a near survey record rate of increase in Germany and a further solid rise in France. In contrast, job losses were seen in Italy, Spain and Ireland, mainly centred on their service sectors. Manufacturing employment actually edged higher in Italy and Ireland, while the extent of the cuts seen in Spain's service sector was substantially deeper than at manufacturers.

December saw **average input prices** rise at the fastest rate since August 2008, with the rate of inflation stepping up sharply at manufacturers to the steepest since October 2004's near-survey record high. Rates of increase hit 28-month highs in Germany and France, a 26-month peak in Ireland, and seven and eight-month highs in Spain and Italy respectively. Companies linked rising costs to increased commodity and energy prices.

Higher costs were passed on (in part) to clients in December. **Factory gate prices** rose at the fastest rate since August 2008, while **service sector charges** increased slightly for the first time since October 2008. Higher selling prices were mainly seen in the stronger performing nations such as Germany and France.

Comment:

Chris Williamson, Chief Economist at Markit said:
"The final Eurozone PMIs shed more light on the growing divergences within the single currency

area. Germany and France ended the year on sound footings, with manufacturers reporting surging sales and service providers enjoying strong growth as rising employment boosted domestic demand.

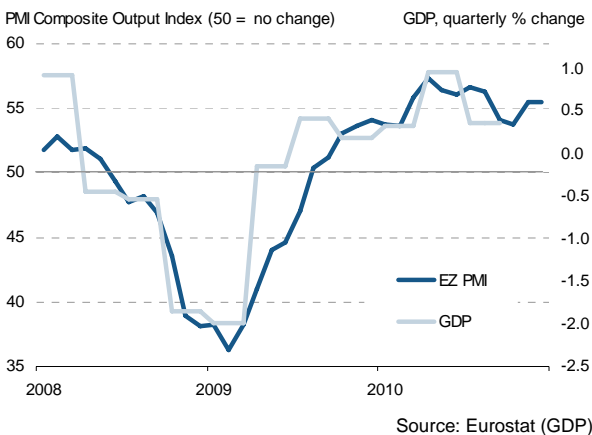
“The periphery, on the other hand, has taken a turn for the worse and has moved onto shakier ground. This is highlighted by Spain and Ireland now both contracting again, while growth showed a worrying

slowdown in Italy.

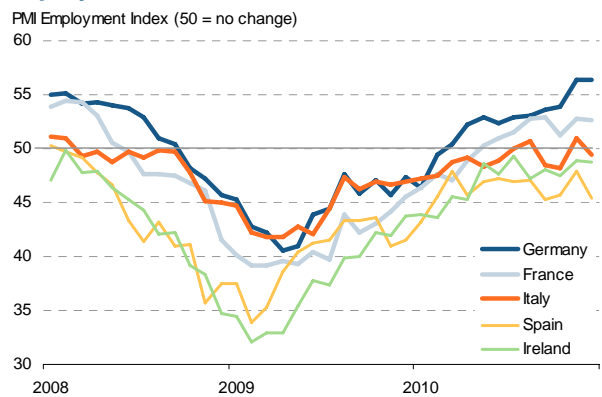
“Overall, the data suggest that the Eurozone will have grown by around 0.5% in terms of final quarter GDP. But the scene is set for a two-speed single currency area as we move into 2011, with Germany growing at twice the Eurozone average while some countries face double-dip recessions.”

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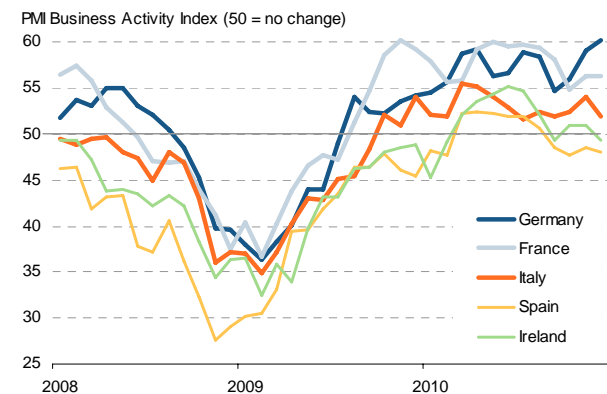
Markit PMI vs. Eurostat GDP



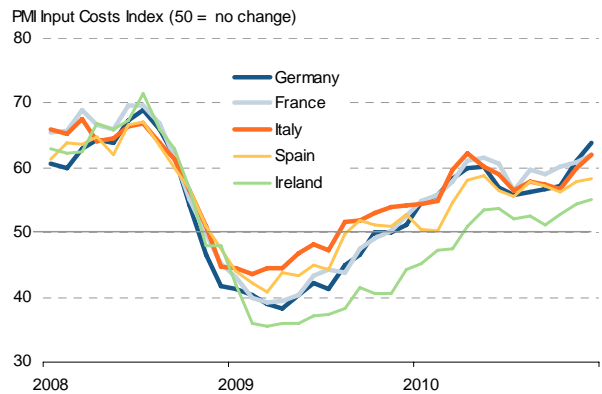
Employment



Business Activity



Input Costs



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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 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 December 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 Composite Output 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 subsequently revised data are available to subscribers from Markit. Please contact economics@markit.com.

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