News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0900 (UK Time) 21 July 2011

Markit Flash Eurozone PMI®

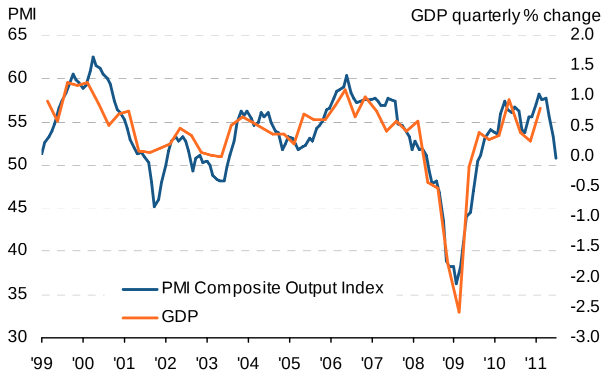
Eurozone growth slows to near-stagnation in July

- Flash Eurozone PMI Composite Output Index[(1)] at 50.8 (53.3 in June). 23-month low.
- Flash Eurozone Services PMI Business Activity Index[(2)] at 51.4 (53.7 in June). 22-month low.
- Flash Eurozone Manufacturing PMI [(3)] at 50.4 (52.0 in June). 22-month low.
- Flash Eurozone Manufacturing PMI Output Index[(4)] at 49.5 (52.5 in June). 2-year low.

Data collected 12-20 July.

The **Markit Flash Eurozone PMI® Composite Output Index**, based on around 85% of usual monthly replies, fell from 53.3 in June to 50.8 in July. The latest reading was the lowest since August 2009 and signalled a near-stagnation of private sector output, the rate of growth having slowed sharply in each of the past three months. The month-on-month fall in the Output Index in July was the largest since November 2008.

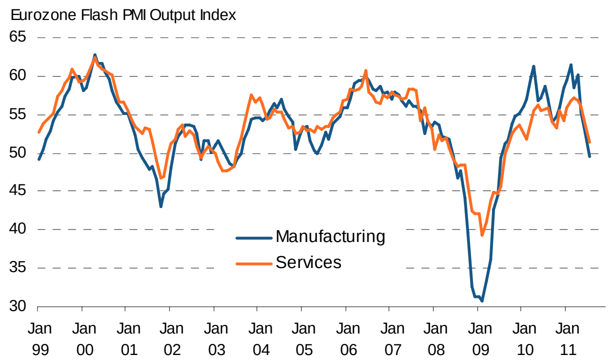
Markit Eurozone PMI and GDP



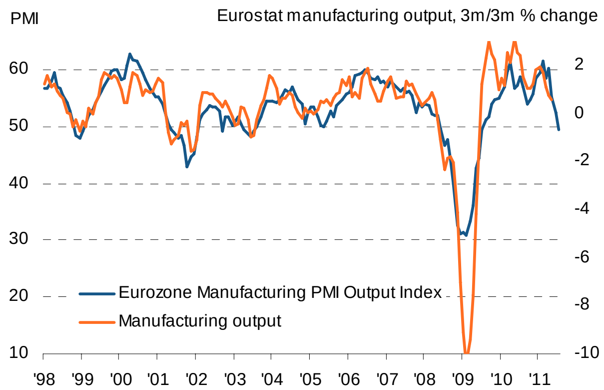
Manufacturing output declined – albeit only marginally – for the first time since July 2009, while activity growth slowed sharply in **services** to the weakest since September 2009.

The deterioration in the survey's output indicators reflected weaker order book trends. Across both sectors, new business showed only a very marginal increase in July, registering the smallest rise since demand for goods and services first started growing again back in September 2009. Levels of incoming new business fell in manufacturing for the second month in a row, declining at the fastest rate since June 2009 – with new export orders dropping for first time since July 2009. Service sector new business meanwhile showed the weakest rise since November 2009, the rate of growth having lost almost all of the strong momentum seen earlier in the year.

Output/business activity



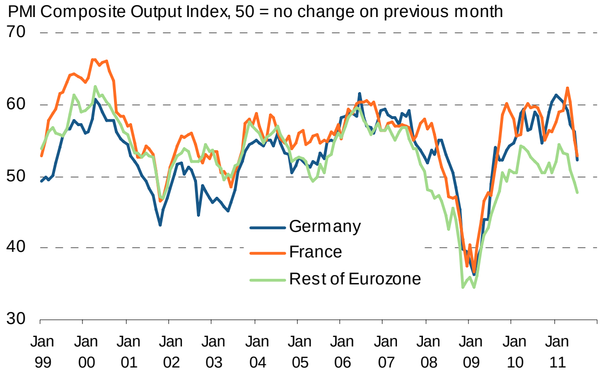
Markit Eurozone PMI and manufacturing output



Forward-looking indicators failed to improve. **Expectations of service sector activity** in the coming year were unchanged compared to June – which had seen the lowest level of optimism since July 2009. At the same time, the **ratio of manufacturing new orders to inventories**, which acts as a guide to near-term output developments, fell to the lowest since April 2009.

The rate of expansion across both sectors slowed in both **Germany** and **France**, dropping especially sharply in the former. Germany saw the weakest rate of growth in two years, while French growth was the slowest since August 2009. Elsewhere, outside of the two largest countries, output fell for the second successive month, and at the steepest rate since August 2009.

Core v. Periphery PMI Output Index



Employment growth held up well in the face of the near-stagnation of both output and order books, running below the rate seen earlier in the year but up marginally compared with June. Minor upturns in the rate of job creation were seen in both manufacturing and services, with the former continuing to see the stronger rate of growth. Staffing levels rose in France and Germany, but fell overall across the rest of the region.

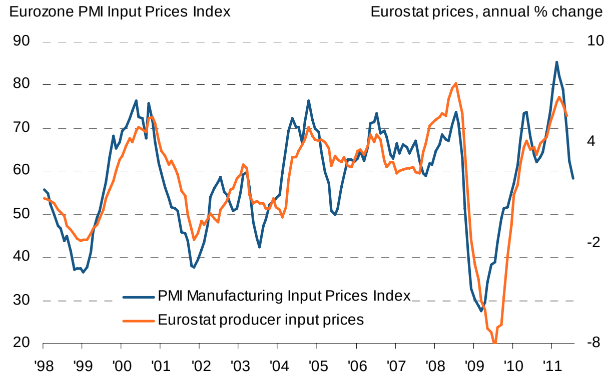
Backlogs of work fell for the first time since November 2009. Although only slight, the decline suggests that headcounts may be reduced in coming months unless inflows of new work revive. Manufacturers reported a steeper drop in outstanding work than service providers.

Price pressures eased during the month. Average **prices charged** for goods and services rose at the weakest rate for six months, while **input price** inflation across the two sectors dropped to a 12-month low.

Manufacturers' input and output price inflation has eased especially sharply since the respective survey-record rates of increase seen in February and March. Producers' input prices rose at the slowest rate since January 2010, while their output prices showed the smallest rise since October 2010.

Service sector input costs meanwhile rose at the slowest pace for seven months, the rate of increase easing for the fourth successive month. In contrast, average rates charged for services rose at a rate equal to April's 33-month high.

Manufacturing input costs



Commenting on the flash PMI data, **Chris Williamson, Chief Economist at Markit** said:

"The Eurozone recovery lost almost all of its momentum in July, recording the weakest growth since August 2009 when the recovery first began. Excluding the financial crisis, the July survey was the most downbeat since the Iraq war in 2003, and consistent with a flat trend in quarterly gross domestic product.

"A renewed downturn in manufacturing export sales appears to have exacerbated a further deterioration in business and consumer confidence in domestic markets.

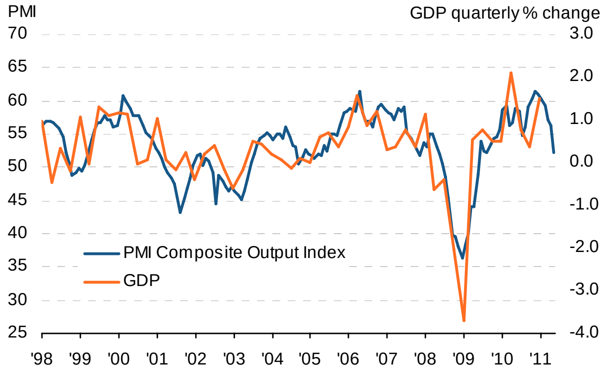
"Weakness was also broad-based, with the PMI surveys having turned down sharply in both the core and the periphery compared to earlier in the year. Surging growth in Germany and France during the first quarter has been replaced by only very modest rates of expansion at the start of the third quarter, while, the rest of the regions slipped deeper into contraction.

"Employment growth held up reasonably well but, given the speed of the downturn in forward-looking indicators such as new orders, it would be surprising if companies did not cut back on their hiring plans soon.

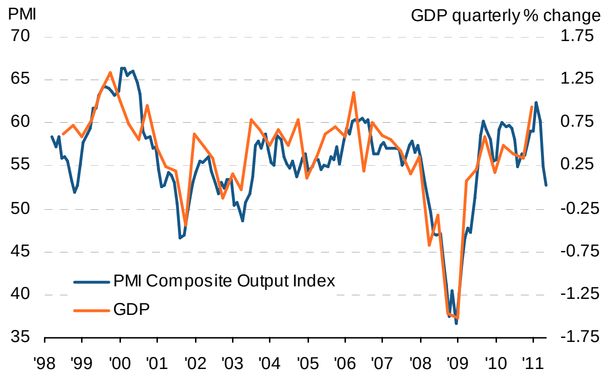
"The good news is that the current soft-patch has brought about a sharp easing in inflationary pressures, especially in manufacturing."

-Ends-

German *PMI* and GDP



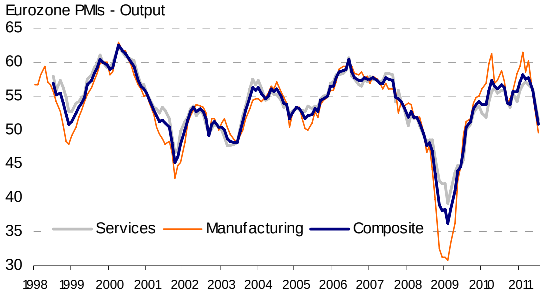
France *PMI* and GDP



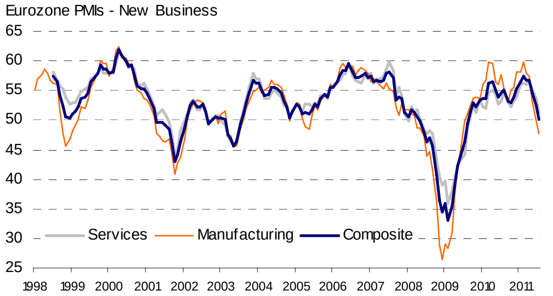
Summary of July data

Output	**Composite**	**Growth was slowest since August 2009 (50.8 from 53.3 in June).**
	Services	Growth slowed to weakest since September 2009 (51.4 from 53.7 in June).
	Manufacturing	Output declined for first time in two years (49.5 from 52.5 in June).
New Orders	**Composite**	**Pace of expansion slowest in 23-month sequence.**
	Services	Growth was weakest since November 2009.
	Manufacturing	New orders fell for second month running, at faster rate.
Backlogs of Work	**Composite**	**Outstanding business fell for first time since November 2009.**
	Services	First decline since October 2010.
	Manufacturing	Backlogs fell for second month running, at faster rate.
Employment	**Composite**	**Pace of job creation slightly faster than June's eight-month low.**
	Services	Rate of increase little-changed from June's five-month low.
	Manufacturing	Employment rose at stronger rate than in June.
Input Prices	**Composite**	**Input price inflation eased to 12-month low.**
	Services	Pace of inflation slowed to seven-month low.
	Manufacturing	Input cost inflation slowed to weakest in 18 months.
Output Prices	**Composite**	**Output price inflation eased to six-month low.**
	Services	Rate of charge inflation strongest since April.
	Manufacturing	Weakest rise in charges for nine months.
PMI(3)	Manufacturing	PMI at 22-month low of 50.4, down from 52.0 in June.

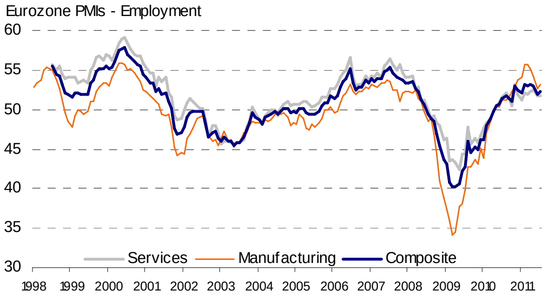
Output



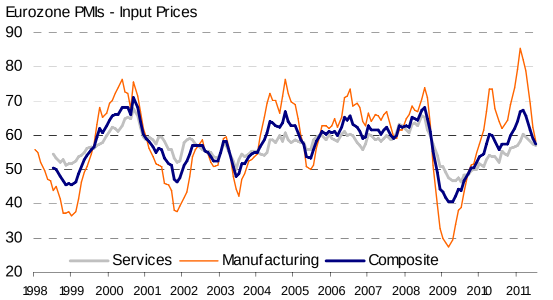
New business



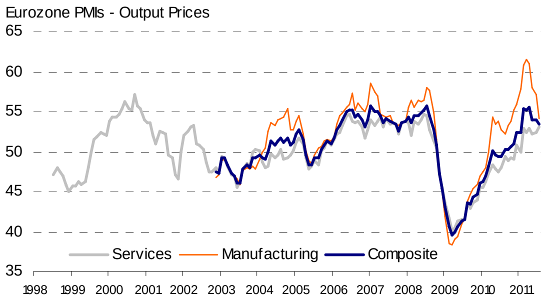
Employment



Input prices



Output prices



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Note to Editors:

Final July data are published on 1 August for manufacturing and 3 August for services and composite indicators.

The Eurozone *PMI*® (*Purchasing Managers' Index*®) is produced by Markit and is based on original survey data collected from a representative panel of around 4,500 companies based in the euro area manufacturing and service sectors. 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 flash estimate is typically based on approximately 85%–90% of total *PMI* survey responses each month and is designed to provide an accurate advance indication of the final *PMI* 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 Index[1]	0.0	0.2
Eurozone Manufacturing *PMI*[3]	0.0	0.2
Eurozone Services Business Activity Index[2]	0.1	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.

Notes
1. The Composite Output *PMI* is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.
2. The Services Business Activity Index is the direct equivalent of the Manufacturing Output Index, based on the survey question "Is the level of business activity at your company higher, the same or lower than one month ago?"
3. The Manufacturing *PMI* is a composite index based on a weighted combination of the following five survey variables (weights shown in brackets): new orders (0.3); output (0.25); employment (0.2); suppliers' delivery times (0.15); stocks of materials purchased (0.1). The delivery times index is inverted.
4. The Manufacturing Output Index is based on the survey question "Is the level of production/output at your company higher, the same or lower than one month ago?"

About Markit
Markit is a leading, global financial information services company with over 2,200 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information, see www.markit.com.

About PMIs
Now available for 32 countries and key regions including the Eurozone, *Purchasing Managers' Index*® (*PMI*®) surveys have become 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.