

News Release

MARKET SENSITIVE INFORMATION
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Markit Eurozone Composite PMI™ – final data

Eurozone growth highest since July 2006, led by marked expansions in Germany and France

Key points:

- Final Eurozone Business Activity at 58.2 in February, below flash reading of 58.4.
- Germany and France still leading the recovery, but activity also rose in Italy, Spain and Ireland.
- Inflationary pressure continued to build, as input costs and output prices rose at faster rates.

At 58.2 in February, the **Final Eurozone Composite Output Index** posted its highest reading since July 2006, but was slightly below the earlier flash estimate of 58.4. Business activity has now risen for 19 consecutive months.

Growth was again led by manufacturing, where the rate of increase was the steepest in over ten-and-a-half years. Service sector business activity rose at the fastest pace since August 2007.

The big-two economies of Germany and France were still the main drivers of the recovery. Output growth remained at a near-record rate in Germany, and hit a six-month high in France. Rates of expansion were the fastest for around three-and-a-half years in both Italy and Ireland. Spain returned to expansion, as activity rose for the first time since last August. Domestic market strength remained the key factor explaining national growth differentials.

The total level of **new business** rose for the eighteenth month in a row during February, with the latest increase the sharpest since July 2007. France and Germany saw the strongest increases, with solid gains signalled at both manufacturers and service providers. Although Italy, Spain and Ireland saw improved trends in total new business, these were dominated by growth of new orders at manufacturers. Gains in new business were relatively modest in the Italian and Irish service sectors, while Spanish service providers reported a further drop in new business.

Employment rose for the tenth month successive month in February, as companies expanded capacity in line with rising **backlogs of work**. Jobs

growth hit a three-year high and was faster than the earlier flash estimate.

Employment rose in almost all of the nations covered. Germany saw a near record increase, while jobs growth was the quickest since April 2008 and November 2007 in France and Italy respectively. Spain and Greece (only manufacturing PMI data are collected for Greece) were the only countries to report job losses.

Input price inflation accelerated to its fastest pace since July 2008. By far the steepest rises were seen at manufacturers, where the rate of increase hit a survey record. Service providers also reported sharper cost increases, as input price inflation hit its highest since September 2008. Rates of inflation accelerated in Germany, France, Spain and Ireland. By far the steepest increase was the series record high seen in Germany.

February saw **average selling prices** rise for the seventh month running and to the greatest extent in over two-and-a-half years. The acceleration was the sharpest in the series history. Output price inflation was steepest at manufacturers, hitting a survey record rate. The pass-through of higher costs to service charges was much more limited, but still the quickest since July 2008. Germany and France saw the sharpest increases in charges. Italy also reported a solid rise that was close to a series record rate. In contrast, Ireland and Spain signalled further reductions.

Comment:

Chris Williamson, Chief Economist at Markit said:

"The final Eurozone PMI was broadly unchanged on the earlier Flash estimate for February, confirming the fastest rate of expansion since July 2006. These data suggest that the economy is growing at a quarterly rate of around 0.8% in Q1, representing a marked upturn from the slowdown in the GDP data seen in the second half of last year.

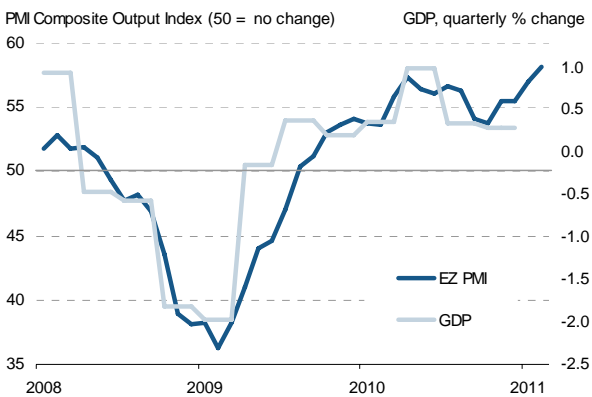
"It is encouraging to see that surging output growth in manufacturing is being accompanied by a gathering rate of expansion in the service sector.

What's more, this broadening out of the recovery is not confined to the French-German core, with improving trends in output also evident in 'peripheral' countries such as Ireland, Italy and Spain.

"However, national growth divergences look likely

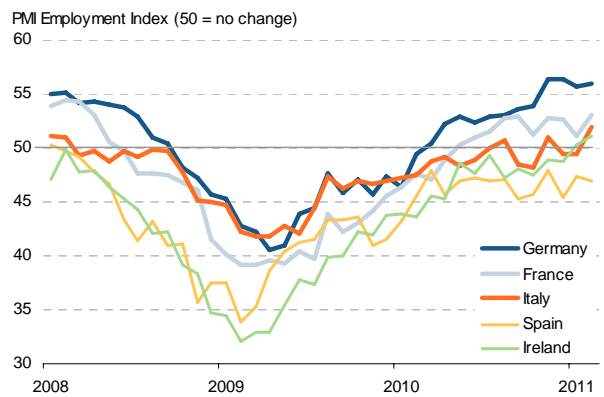
to persist for some time, as accommodative monetary policy looks set to continue to support above-trend growth in France and Germany but will be offset to some extent by deficit-fighting austerity measures in the periphery."

Markit PMI vs. Eurostat GDP

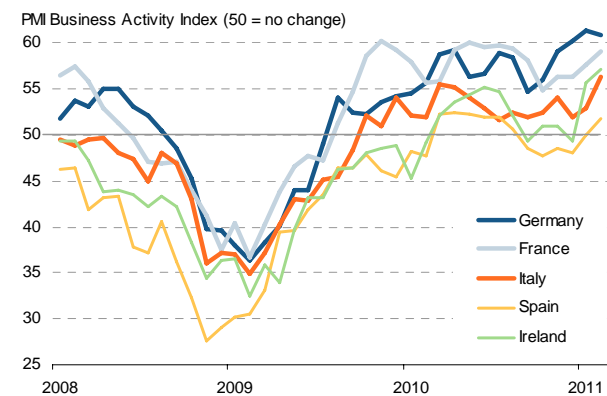


Source: Eurostat (GDP)

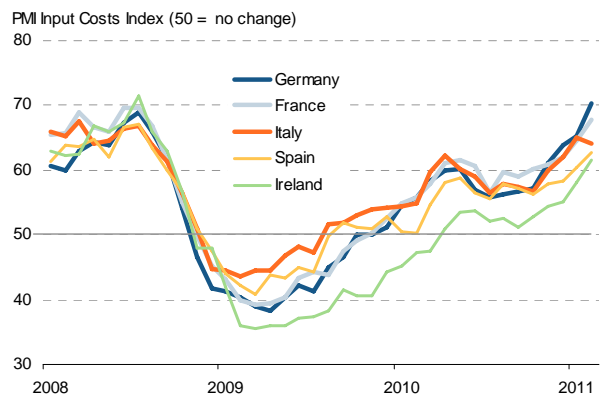
Employment



Business Activity



Input Costs



-Ends-

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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 February 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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