

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0900 (UK Time) 24 October 2011

Markit Flash Eurozone PMI®

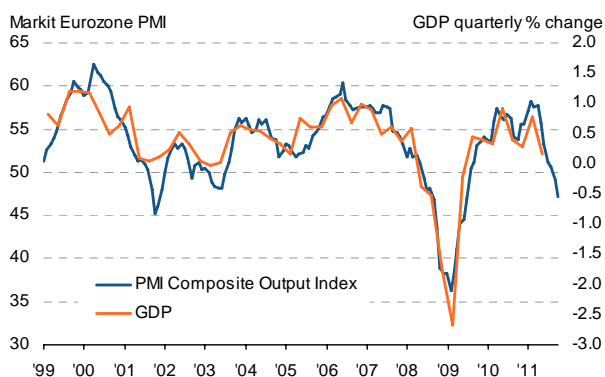
Eurozone downturn gathers momentum in October

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 47.2 (49.1 in September). Lowest since July 2009.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 47.2 (48.8 in September). Lowest since July 2009.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 47.3 (48.5 in September). Lowest since July 2009.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 47.2 (49.6 in September). 28-month low.

Data collected 12–21 October.

At 47.2, down from 49.1 in September, the **Markit Flash Eurozone PMI® Composite Output Index**, based on around 85% of usual monthly replies, fell further below the 50.0 no change level in October. The deterioration signalled a second successive monthly contraction of the private sector economy and the fastest rate of decline since July 2009.

Markit Eurozone PMI and GDP



Manufacturing output fell for the third month running and services activity fell for the second month, both seeing rates of decline accelerate to the fastest since mid-2009.

Falling output and activity reflected weaker demand for goods and services. **New orders** fell for the third consecutive month, showing the largest decline since June 2009. Manufacturers reported a drop in new orders for the fifth straight month, with the rate of decline gathering momentum to the fastest since May 2009. New export orders fell for the fourth month in a row, seeing the steepest decline since June 2009.

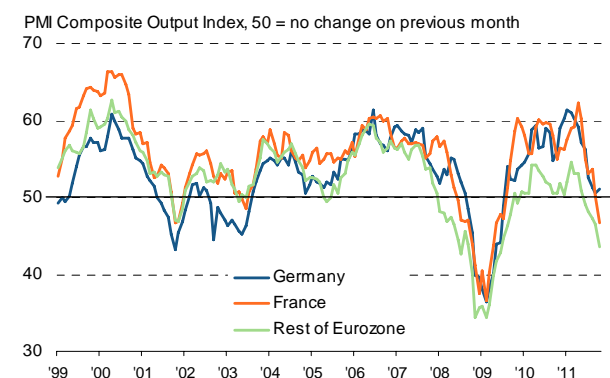
Service providers saw a weaker rate of loss of new business than manufacturers but, nonetheless, the fall was the second in a row and the fastest since July 2009.

Lower levels of new business contributed to a further fall in service providers' **confidence** about the year ahead, with expectations of growth dropping to the lowest since March 2009.

Germany saw another very modest expansion of output, though this represents a marked contrast to the strong growth seen in the first half of the year. Furthermore, German manufacturers reported the first drop in production (albeit only modest) since June 2009.

Output across both manufacturing and services fell in France for the first time since July 2009. Meanwhile, the rest of the Eurozone contracted for the fifth successive month, with the rate of decline of output accelerating to the fastest since June 2009.

Core v. Periphery PMI Output Index



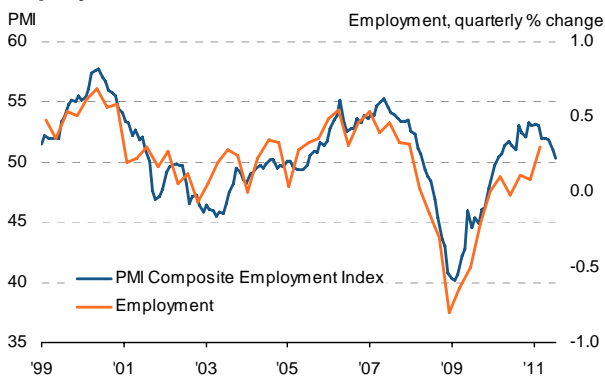
Backlogs of outstanding business fell at the fastest rate since August 2009, down for the fourth successive month. Steeper rates of decline were reported in both manufacturing and services.

The reduced pipeline of orders meant **employment** growth slowed to near-stagnation, registering the weakest increase since the labour market recovery began in May of last year. Only marginal rates of job creation were seen in both manufacturing and

services.

By country, Germany saw modest employment growth, but the rise was nevertheless the weakest since August of last year. Only very modest job creation was meanwhile seen in France while, elsewhere across the region, jobs fell at the steepest rate since February 2010.

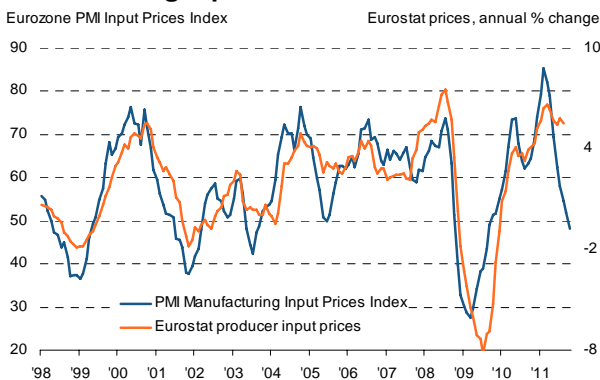
Employment



Average **prices charged** for goods and services fell for the second month running, with the rate of decline accelerating marginally to show the largest (though still only moderate) fall since March 2010. Lower prices for services were offset slightly by a rise in manufacturers' prices, though the latter was the smallest since producer prices began rising in April of last year, and in marked contrast to the record rate of increase seen at the start of the year.

Input costs rose at the slowest rate since December 2009. Costs continued to rise in services, though at a reduced rate, while manufacturers reported the first fall in their purchasing costs since September 2009, highlighting a rapid turnaround in raw material inflation since the record peak seen in February.

Manufacturing input costs



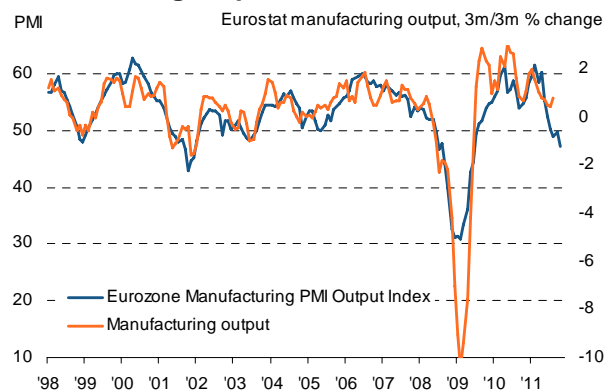
Commenting on the flash PMI data, **Chris Williamson, Chief Economist at Markit** said:

"The PMI signals a heightened risk of the Eurozone sliding back into recession. The economy started the fourth quarter with the rate of contraction accelerating to the fastest since July 2009. Forward-looking indicators, such as the further lowering of expectations of services growth in the year ahead and the near-stalling of job creation, suggest that companies are bracing themselves for the situation to continue to deteriorate."

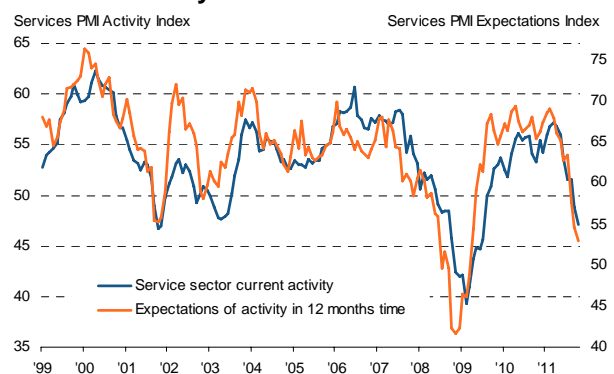
"Furthermore, it is not only the periphery that is contracting. France saw a fall in private sector output for the first time in over two years, led by a worryingly steep deterioration in the service sector. Meanwhile, German manufacturing – the spearhead of the region's recovery – is now also in decline."

"The single bright spot seems to be the steep easing in price pressures that has accompanied the downturn, especially in manufacturing – where input prices fell for the first time in over two years."

Manufacturing output



Services activity



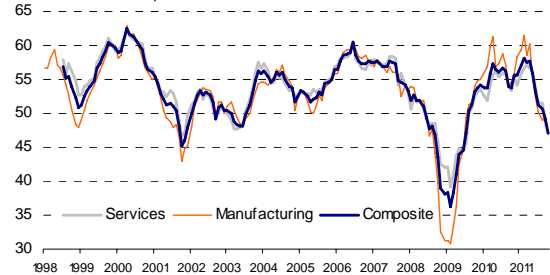
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Summary of October data

Output	Composite	Output fell for second month running (47.2).
	Services	Activity contracted for second month running.
	Manufacturing	Output fell for third month running, at faster pace.
New Orders	Composite	New business fell for third month running, and at sharper rate.
	Services	New business contracted for second month running.
	Manufacturing	New orders fell for fifth month running.
Backlogs of Work	Composite	Outstanding business fell for fourth month running.
	Services	Fourth successive monthly decline, and at faster rate.
	Manufacturing	Backlogs fell for fifth month running, and at faster rate.
Employment	Composite	Pace of job creation eased to marginal rate.
	Services	Marginal employment growth.
	Manufacturing	Employment growth weakest since June 2010.
Input Prices	Composite	Input price inflation eased to 22-month low.
	Services	Pace of inflation eased marginally.
	Manufacturing	Input prices fell marginally.
Output Prices	Composite	Output prices declined for second month running.
	Services	Charges fell for second straight month.
	Manufacturing	Weakest rise in charges of current 19-month sequence.
PMI⁽³⁾	Manufacturing	PMI remained below 50.0 for third month running (47.3, from 48.5).

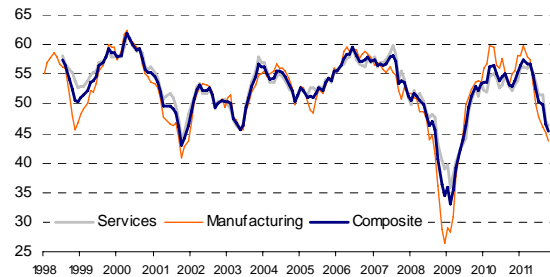
Output

Eurozone PMIs - Output



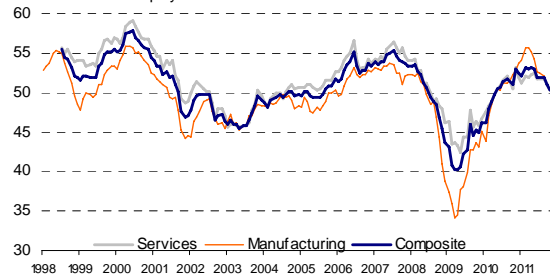
New business

Eurozone PMIs - New Business



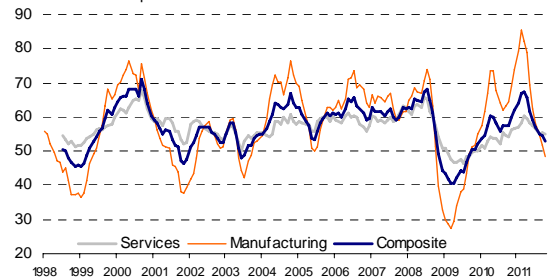
Employment

Eurozone PMIs - Employment



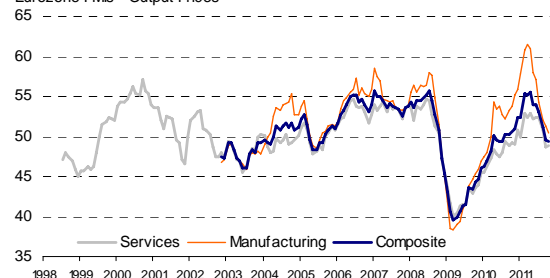
Input prices

Eurozone PMIs - Input Prices



Output prices

Eurozone PMIs - Output Prices



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Note to Editors:

Final September data are published on 2 November for manufacturing and 4 November 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 <i>PMI</i> 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 <http://www.markit.com/en/>.

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.

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