

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0900 (UK Time) 24 January 2012

Markit Flash Eurozone PMI®

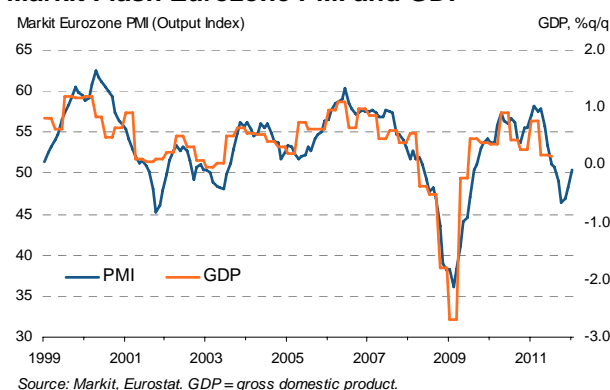
Stabilisation of output fails to prevent first fall in employment since spring 2010

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 50.4 (48.3 in December). 5-month high.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 50.5 (48.8 in December). 5-month high.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 48.7 (46.9 in December). 5-month high.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 50.0 (47.1 in December). 6-month high.

Data collected 12–23 January.

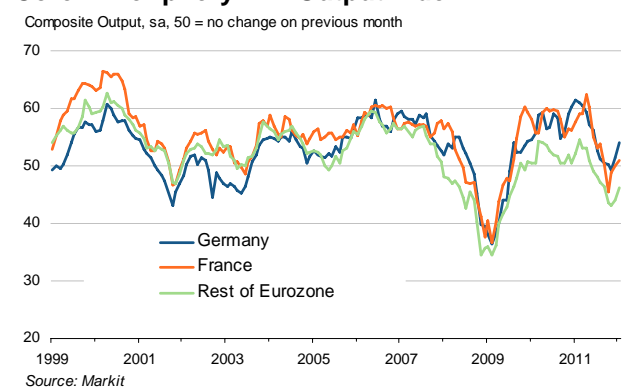
The **Markit Eurozone PMI® Composite Output Index** moved into positive territory for the first time in five months in January, according to the preliminary 'flash' reading which is based on around 85% of usual monthly replies. The index rose for the third month running, up from 48.3 in December to a five-month high of 50.4. That signalled a marginal increase in private sector economic activity.

Markit Flash Eurozone PMI and GDP



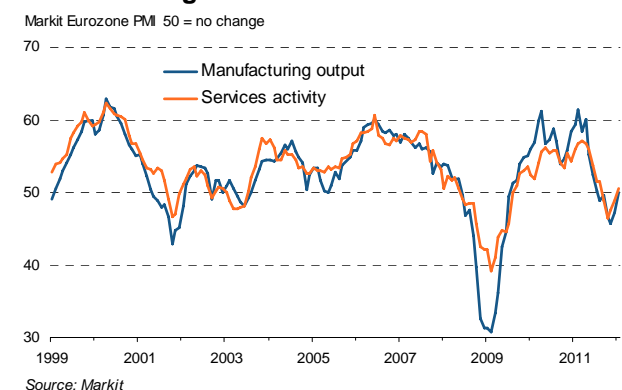
Output rose at a robust pace in Germany, which saw the largest increase for seven months, and a modest expansion (the first growth for four months) was also reported in France. In contrast, output continued to fall across the rest of the region as a whole, dropping for the eighth successive month. However, the rate of contraction was the weakest for four months.

Core v. Periphery PMI Output Index



Eurozone service sector activity rose very slightly, expanding for the first time since last August. Meanwhile, manufacturing output was unchanged, improving on the declines reported by the goods-producing sector throughout the previous five months.

Manufacturing and services



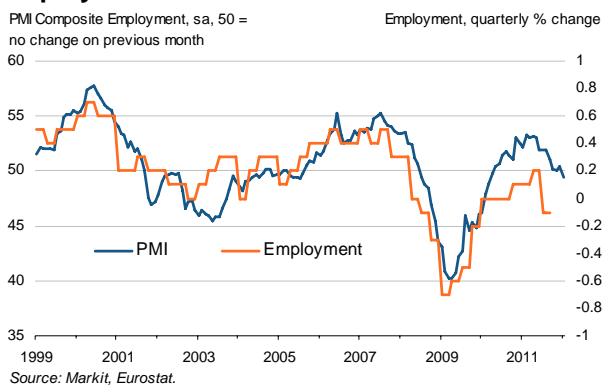
Incoming new business continued to fall in both sectors, although the rates of decline eased to a five-month low in services and a six-month low in manufacturing. Goods producers also reported the smallest drop in new export orders for six months. Measured across both sectors, new business fell for the sixth month in a row, but at the slowest rate since last August.

With inflows of new orders continuing to deteriorate, **backlogs of work** fell across the region for the seventh successive month, declining in both

manufacturing and services. The overall fall was the smallest for four months, but nonetheless sufficient to lead firms to cut **employment** for the first time since April 2010 (albeit only marginally). The decline in jobs was driven by services, as manufacturing headcounts rose slightly on average.

Employment growth slowed to the weakest since June 2010 in Germany, and to near-stagnation in France. Across the rest of the region, the average rate of job losses was broadly unchanged from the near two-year record seen in December.

Employment

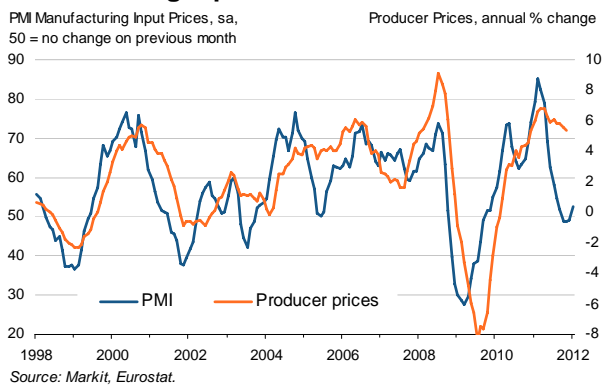


Prices charged by companies for their goods and services fell marginally for the fourth time in the past five months, in many cases reflecting the need for companies to offer discounts to stimulate sales.

By sector, falling service provider charges were in part offset by a slight increase in prices levied by manufacturers, which in part reflected the need for goods producers to pass on higher input costs.

Service providers' input costs also rose, with the rate of inflation accelerating to a seven-month peak. Overall **input costs** across both sectors rose at the fastest rate for six months as a result.

Manufacturing input costs



Looking ahead, **expectations for growth over the coming year** among service providers remained very weak by historical standards of the survey. But sentiment picked up for the third month in a row, to signal the strongest optimism since August. Similarly in manufacturing, the forward-looking orders-to-inventory ratio remained low compared with the survey's long-run average, but rose in January to hit a seven-month high.

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

"The Eurozone economy appears to have stabilised in January, showing a marginal increase after a 0.5-0.6% contraction in gross domestic product in the final quarter of last year, according to the flash Markit PMI.

"The improvement largely reflected an upturn in Germany and very modest growth in France. The rest of the region continued to undergo a steep downturn, though even here the average rate of decline eased.

"Encouragingly, the headline Output Index has now risen for three successive months, suggesting that the rate of contraction may have peaked back in October and that a slide back into recession may be avoided.

"However, we remain cautious about the improvement. Inflows of new business continued to fall, meaning the marginal increase in output seen in January was the result of firms eating into their backlogs of orders. Furthermore, many firms are having to offer discounts to stimulate sales.

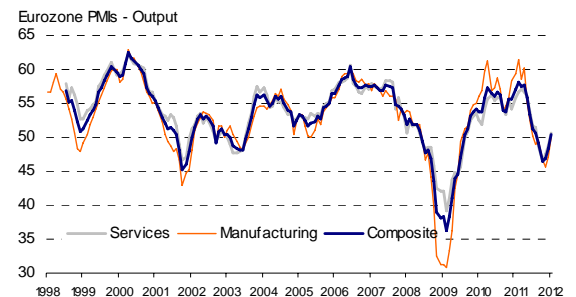
"It is therefore not altogether surprising to see firms trim their headcounts for the first time since the spring of 2010, suggesting that companies have entered a challenging-looking 2012 with a focus on cutting costs and boosting productivity."

-Ends-

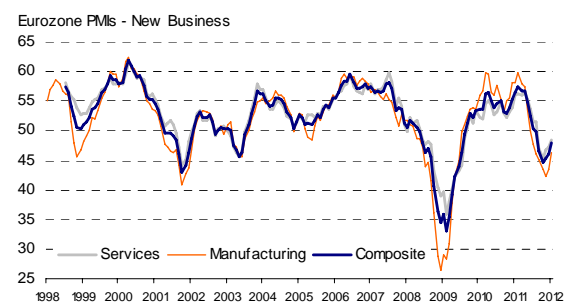
Summary of January data

Output	Composite	Output rose for first time since last August (50.4).
	Services	Activity grew for first time in five months.
	Manufacturing	Output unchanged, ending five-month sequence of decline.
New Orders	Composite	New business fell for sixth month running, but at slowest rate since last August.
	Services	New business declined for fifth successive month, but at weaker pace.
	Manufacturing	New orders down for eighth month running.
Backlogs of Work	Composite	Outstanding business down for seventh straight month, but at weaker rate.
	Services	Seventh successive monthly decline, but at weaker rate.
	Manufacturing	Backlogs fell for eighth month running.
Employment	Composite	Employment declined for first time since April 2010.
	Services	Marginal fall in employment.
	Manufacturing	Employment rose slightly for first time in three months.
Input Prices	Composite	Input price inflation accelerated for third month running to six-month high.
	Services	Input cost inflation rose fractionally to seven-month high.
	Manufacturing	Input prices rose for first time in four months.
Output Prices	Composite	Output prices down slightly for fourth time in five months.
	Services	Charges fell for fourth time in five months.
	Manufacturing	Charges rose marginally.
PMI⁽³⁾	Manufacturing	PMI remained below 50.0 for sixth month running, but rose since December (48.7, from 46.9).

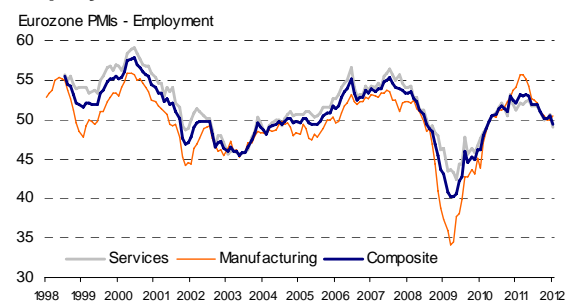
Output



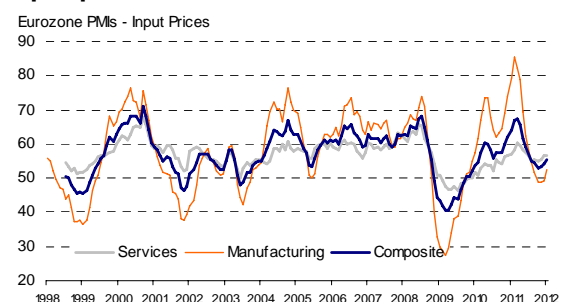
New business



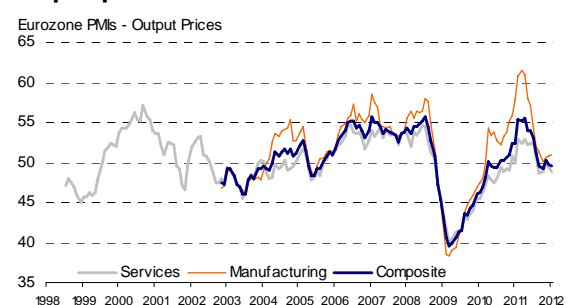
Employment



Input prices



Output prices



Source: Markit.

For further information, please contact:

Markit

Chris Williamson, Chief Economist
 Telephone +44-20-7260-2329
 Mobile +44-779-555-5061
 Email chris.williamson@markit.com

Rob Dobson, Senior Economist
 Telephone +44-1491-461-095
 Mobile +44-782-691-3863
 Email rob.dobson@markit.com

Rachel Harling, Corporate Communications
 Telephone +44-20-7064-6283
 Mobile +44-782-7891-072
 Email rachel.harling@markit.com

Note to Editors:

Final January data are published on 1 February for manufacturing and 3 February 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 2,300 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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