

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0900 (UK Time) 21 February 2013

Markit Flash Eurozone PMI®

Eurozone PMI signals steepening downturn in February

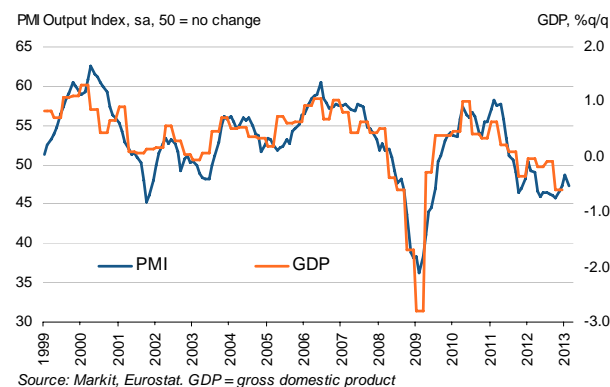
- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 47.3 (48.6 in January). Two-month low.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 47.3 (48.6 in January). Three-month low.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 47.8 (47.9 in January). Two-month low.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 47.5 (48.7 in January). Two-month low.

Data collected 12-20 February.

The **Markit Eurozone PMI® Composite Output Index** fell to 47.3 in February from 48.6 in January, according to the flash estimate. The decline signals a steepening of the economic downturn, contrasting with the easing trend seen in the previous three months. Business activity has now declined throughout the past year-and-a-half, with the exception of a marginal increase in January last year.

Despite accelerating, the rate of contraction in February remained slower than the post-crisis record seen in October, and the average drop in activity in the first quarter so far is less severe than the trend for the fourth quarter of last year.

Markit (Flash) Eurozone PMI and GDP

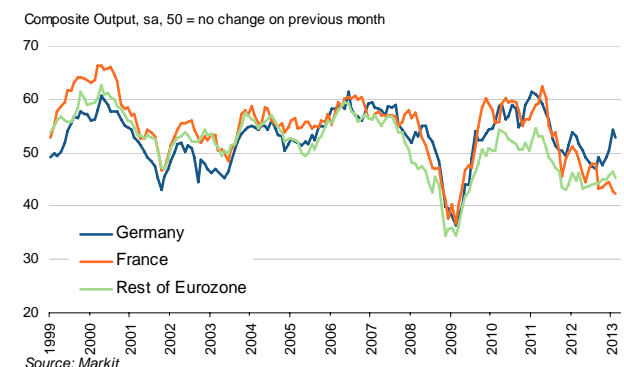


Output fell at faster rates in both manufacturing and services, though trends were once again markedly different by country. Output rose for the third month

running in Germany, albeit at a slower rate, contrasting with accelerating, steep rates of decline in both France and across the rest of the Eurozone on average. French businesses were particularly weak, reporting the largest monthly drop in output since March 2009.

Outside of France and Germany, the rate of decline was the fastest for three months, though it was weaker than the downturn seen in France.

Core v. Periphery PMI Output Indices



Order books and employment

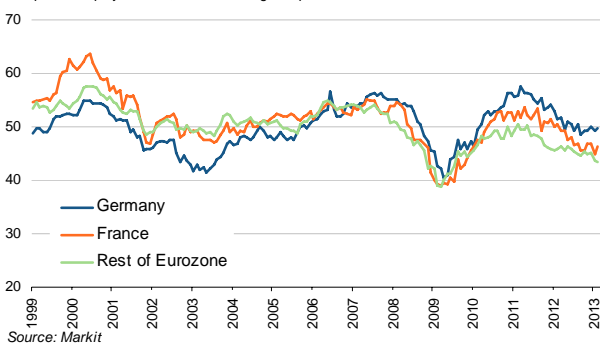
New orders fell for the nineteenth month running, with the rate of decline gathering pace having eased to the weakest for 11 months in January. However, the overall rate of loss in February remained less steep than that seen throughout much of 2012.

An easing in the rate of loss of manufacturing new orders (to the weakest for 20 months) helped to lessen the impact of a faster decline in new business at service providers. The divergence reflected the greater exposure of services to weak domestic demand, while manufacturers benefitted from the first increase in new export orders since June 2011 as demand picked up in markets such as Asia and the US. The upturn in exports was led by Germany, while France registered a slower decline and the rest of the region saw a marginal increase on average.

Employment fell for the fourteenth successive month, although the rate of job cutting eased compared with January (which had seen the largest drop since December 2009). Rates of job shedding eased in both Germany and France, but accelerated across the rest of the region on average.

Core v. Periphery PMI Employment Indices

Composite Employment sa, 50 = no change on previous month



Prices

Average input costs rose across the region, though at the slowest rate since last July. This was largely due to the first drop in manufacturers' raw material prices in six months. Average selling prices meanwhile continued to fall, albeit to the weakest extent since last May. The narrowing of the differential between input cost inflation and output price deflation suggested that pressure on profit margins eased slightly.

Future expectations

Looking ahead, service sector business expectations for the coming year fell back from January's eight-month high. German firms bucked the trend, however, seeing optimism reach a 20-month record.

Meanwhile, the forward-looking manufacturing new orders-to-inventories ratio rose to its highest since mid-2011, suggesting that increasing numbers of firms will seek to raise production in March.

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

"A steepening rate of decline in February is a disappointment, and suggests that the eurozone is on course to contract for a fourth consecutive quarter in the first three months of the year.

"However, despite the fall in the PMI, the first quarter decline in the economy should be less severe than the 0.6% drop in GDP seen in the final quarter of 2012, with a contraction of 0.2-0.3% looking likely.

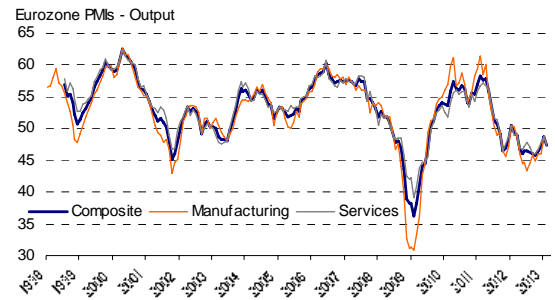
"Digging into the data shows increasing schisms within the eurozone. National divergences between France and Germany have widened so far this year to the worst seen since the survey began in 1998. Germany is on course to grow in the first quarter, recovering from the 0.6% GDP fall seen in the fourth quarter, possibly expanding by as much as 0.4%. In contrast, Frances's downturn is likely to deepen, bringing the euro area's second-largest member more in line with the periphery than with the now solitary-looking German 'core'."

-Ends-

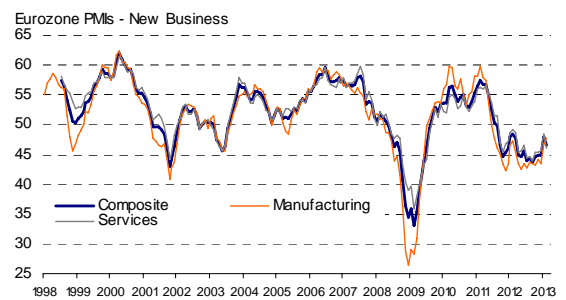
Summary of February data

Output	Composite	Output falls for thirteenth month running, and at faster pace (47.3).
	Services	Activity falls at fastest rate since November.
	Manufacturing	Output falls at strongest rate since December.
New Orders	Composite	New business declines for nineteenth successive month.
	Services	New business falls for eighteenth successive month.
	Manufacturing	New orders fall at weakest rate since June 2011.
Backlogs of Work	Composite	Faster decline in backlogs.
	Services	Sharpest fall in 43 months.
	Manufacturing	Backlogs fall at slowest rate in 19 months.
Employment	Composite	Jobs decline for fourteenth consecutive month.
	Services	Employment declines at robust pace.
	Manufacturing	Jobs shed for thirteenth successive month.
Input Prices	Composite	Input price inflation at seven-month low.
	Services	Input price inflation at seven-month low.
	Manufacturing	Input prices fall for first time in six months.
Output Prices	Composite	Output prices fall for eleventh month running.
	Services	Weakest fall in charges in nine months.
	Manufacturing	Charges fall for eighth time in nine months.
PMI⁽³⁾	Manufacturing	PMI below 50.0 for nineteenth month running, at 47.8.

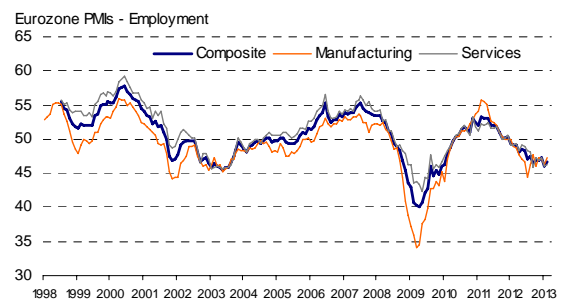
Output



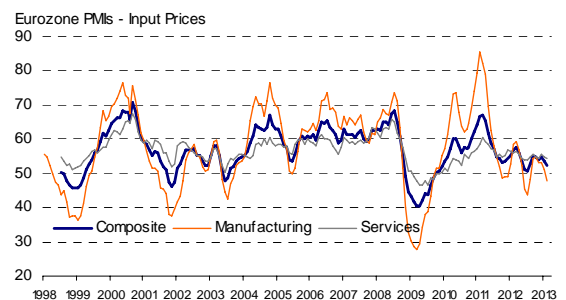
New business



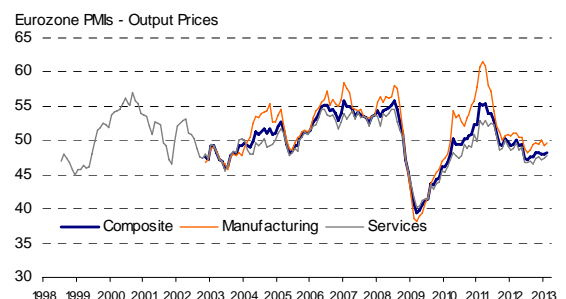
Employment



Input prices



Output prices



Source: Markit.

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Note to Editors:

Final February data are published on 1 March for manufacturing and 5 March 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 5,000 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 2,800 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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