

# News Release

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 0900 (UK Time) 23 May 2013**

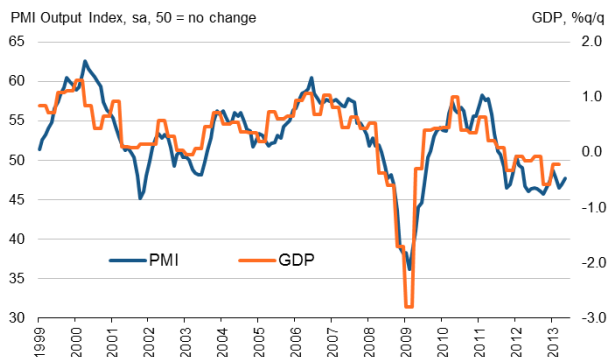
## Markit Flash Eurozone PMI®

### PMI signals ongoing recession in second quarter, though downturn eases in May

- Flash Eurozone PMI Composite Output Index<sup>(1)</sup> at 47.7 (46.9 in April). Three-month high.
- Flash Eurozone Services PMI Activity Index<sup>(2)</sup> at 47.5 (47.0 in April). Three-month high.
- Flash Eurozone Manufacturing PMI<sup>(3)</sup> at 47.8 (46.7 in April). Three-month high.
- Flash Eurozone Manufacturing PMI Output Index<sup>(4)</sup> at 48.2 (46.5 in April). Four-month high.

Data collected 12-22 May.

#### Markit (Flash) Eurozone PMI and GDP



Source: Markit, Eurostat. GDP = gross domestic product

The **Markit Eurozone PMI® Composite Output Index** rose to a three-month high in May, but remained deep in contraction territory. According to the flash estimate, based on approximately 85% of total replies, the Eurozone PMI rose from 46.9 in April to 47.7 in May, signalling an easing in the rate of contraction for the second consecutive month. However, the latest reading is merely in line with the average seen during the first quarter, a period when the region's economy contracted 0.2%.

The ongoing downturn signalled by the PMI therefore suggests that the euro area's recession will have dragged on into a seventh successive quarter in the second quarter of 2013.

The downturn remained broad based, but both main sectors saw an easing in the rate of decline.

Manufacturing output fell at the slowest rate since January, while service sector activity declined at the weakest pace since February.

Although moderating, the downturn in business activity looks likely to persist into June, due to an ongoing decline in demand for goods and services across the region. **New business** fell sharply again, down for the twenty-second successive month with the rate of unchanged on that seen in April. Although manufacturers reported the smallest drop in new orders for three months, service sector companies saw the rate of decline accelerate again, having reported an easing in April.

Strong divergences persisted between the region's two largest economies. Business activity declined for a second successive month in Germany, but the downturn was only very marginal, suggesting the economy is stabilising again. A steep rate of decline meanwhile continued to be reported in France, unchanged on that seen in April, though less severe than seen during the first quarter.

Elsewhere across the region output fell at the slowest rate since July 2011, easing in both manufacturing and services.

**Employment** fell for the seventeenth consecutive month, with the rate of job losses rising to the highest since February. Increasing numbers of firms sought to reduce capacity in line with deteriorating order books. **Backlogs of work** have now fallen continually for almost two years, dropping in May at a similar steep rate as seen throughout the year so far.

Employment fell in both manufacturing and services, with hiring even being scaled back in Germany, where headcounts fell for the first time since January. The rate of job cutting eased in France but nevertheless remained severe. The rate of job losses seen across the rest of the euro area eased to an 11-month low.

The survey also showed firms cutting **prices**. Average selling prices fell at the fastest rate since

July of last year, led by the largest drop in manufacturing output prices since January 2010, while service sector prices also fell.

Input costs were largely unchanged for the second month running, contrasting with rising costs seen in prior months. An increase in service sector costs was offset by the steepest drop in manufacturers' raw material purchase costs since July 2009, reflecting lower commodity prices.

Looking ahead, service sector companies' **expectations** about activity levels in the year ahead fell to the lowest since December, declining markedly in Germany, France and elsewhere across the region.

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

*"The eurozone's second recession in five years looks set to drag on into a seventh successive quarter. Although the Eurozone PMI rose for a second successive month in May, the survey remains firmly in contraction territory and indicates that the economy is likely to contract in the second quarter at a similar rate to the 0.2% decline seen in the first three months of the year.*

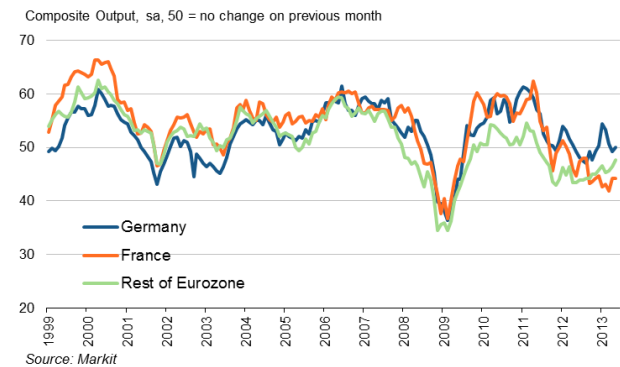
*"Weakness remains broad-based, with Germany stagnating, France contracting steeply and the rest of the region also clearly entrenched in an ongoing downturn of worrying severity, although some signs of the recession easing in the periphery were seen in May.*

*"Signs of deflationary pressures were also evident, highlighting just how weak demand is at the moment. Both manufacturers and service providers cut their prices in the vain hope of stimulating sales.*

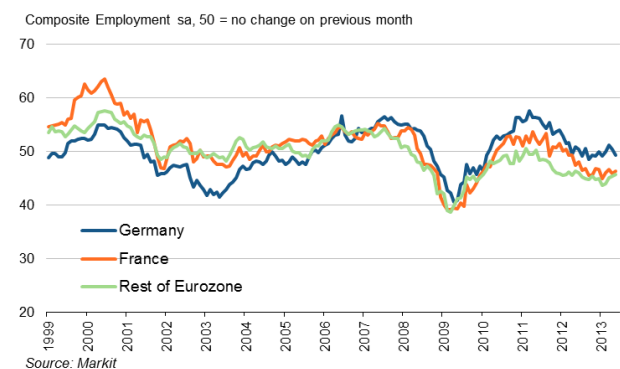
*"The ECB's quarter-point cut in interest rates seems to have done little to inspire confidence that the economy will start to pick up again. In fact, expectations about the year ahead deteriorated again in the service sector, suggesting recovery remains a long way off still and that policymakers need to do more to stem the downturn and revive growth."*

-Ends-

### Core v. Periphery PMI Output Indices



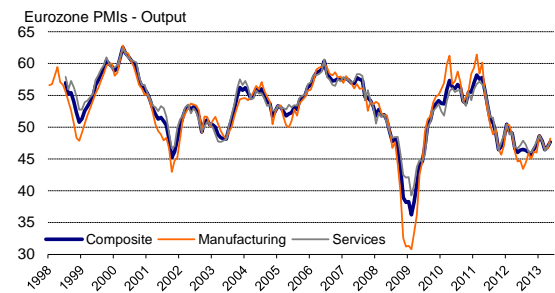
### Core v. Periphery PMI Employment Indices



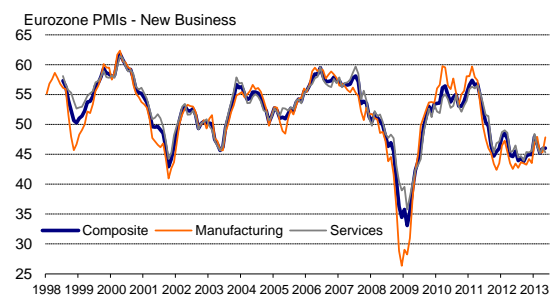
## Summary of May data

<b>Output</b>	<b>Composite</b>	<b>Output falls for sixteenth month running, but at slowest rate since February (47.7).</b>
	Services	Activity falls at weakest rate since February.
	Manufacturing	Output falls at weakest rate in four months.
<b>New Orders</b>	<b>Composite</b>	<b>New business declines at unchanged rate from April.</b>
	Services	New business falls for twenty-first successive month.
	Manufacturing	New orders fall at weakest rate since February.
<b>Backlogs of Work</b>	<b>Composite</b>	<b>Backlogs fall for twenty-third successive month.</b>
	Services	Outstanding business drops for twenty-third consecutive month.
	Manufacturing	Backlogs fall for twenty-fourth month running.
<b>Employment</b>	<b>Composite</b>	<b>Jobs decline at fastest rate in three months.</b>
	Services	Employment declines for seventeenth straight month.
	Manufacturing	Jobs shed for sixteenth successive month.
<b>Input Prices</b>	<b>Composite</b>	<b>Input prices broadly unchanged for second month running.</b>
	Services	Input price inflation picks up slightly from April's 33-month low.
	Manufacturing	Input prices fall at sharpest rate since July 2009.
<b>Output Prices</b>	<b>Composite</b>	<b>Output prices fall at sharpest rate since July 2012.</b>
	Services	Charges decline for eighteenth month running.
	Manufacturing	Output prices fall at sharpest rate since December 2009.
<b>PMI<sup>(3)</sup></b>	Manufacturing	PMI improves to three-month high of 47.8.

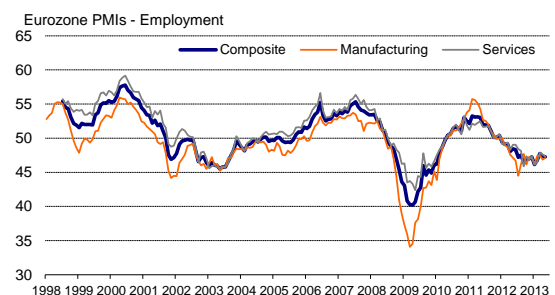
## Output



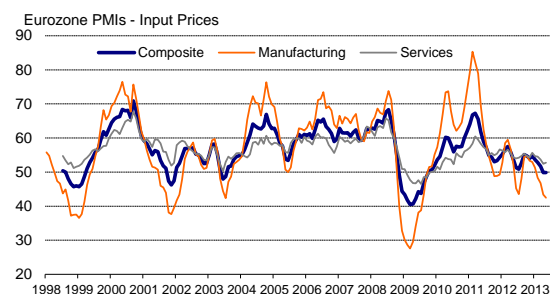
## New business



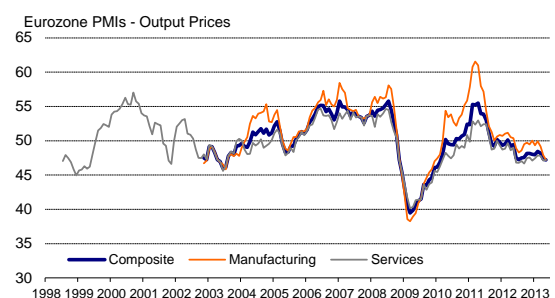
## Employment



## Input prices



## Output prices



Source: Markit.

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### Note to Editors:

Final May data are published on 3 June for manufacturing and 5 June for services and composite indicators.

The Eurozone *PMI*<sup>®</sup> (*Purchasing Managers' Index*<sup>®</sup>) 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 <sup>1</sup>	0.0	0.2
Eurozone Manufacturing <i>PMI</i> <sup>2</sup>	0.0	0.2
Eurozone Services Business Activity Index <sup>2</sup>	0.1	0.3

The *Purchasing Managers' Index*<sup>®</sup> (*PMI*<sup>®</sup>) 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*<sup>®</sup> 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](mailto: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*<sup>®</sup> (*PMI*<sup>®</sup>) 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](http://www.markit.com/economics).

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