News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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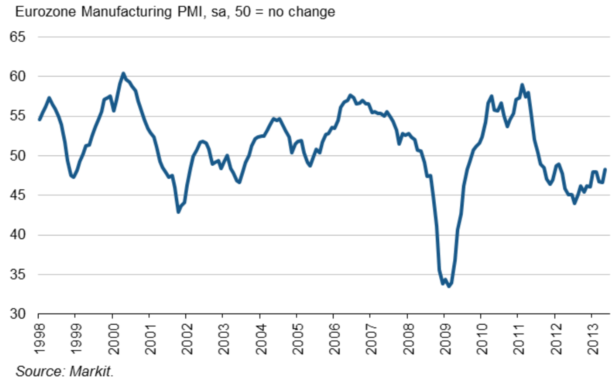
Markit Eurozone Manufacturing PMI® – final data

Eurozone manufacturing downturn weakest in 15 months in May

Data collected 13-23 May.

- Final Eurozone Manufacturing PMI at 48.3 in May (flash: 47.8)
- Downturns ease in all nations covered
- Price deflationary pressures remain, as input costs and output prices fall further

Manufacturing PMI® (overall business conditions)



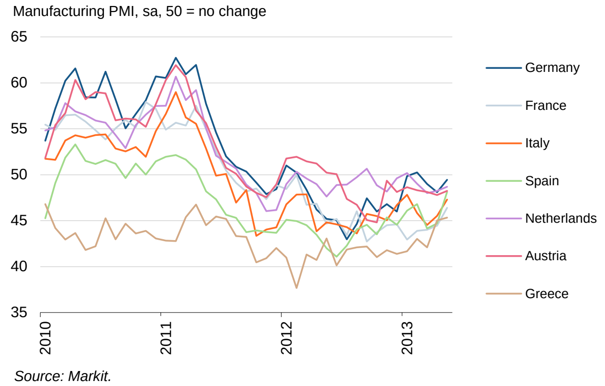
The eurozone manufacturing downturn eased for the first time in four months in May. Moreover, all sub-indices from the latest survey improved on the earlier flash estimates except suppliers' delivery times.

At a 15-month high of 48.3 in May, up from April's four-month low of 46.7, the seasonally adjusted **Markit Eurozone Manufacturing PMI®** indicated the slowest pace of contraction since February 2012. Business conditions still deteriorated overall, however, with the current downturn extended to a twenty-second month.

PMIs for all of the nations covered by the survey signalled weaker rates of contraction in May. The German PMI signalled the slowest rate of contraction overall and moved close to the stabilisation level as output and new orders both rose for the first time in three months. Downturns in the Netherlands and Austria were also only moderate.

Countries ranked by Manufacturing PMI®: May

Germany	49.4 (flash 49.0)	3-month high
Netherlands	48.7	3-month high
Austria	48.2	3-month high
Spain	48.1	24-month high
Italy	47.3	4-month high
France	46.4 (flash 45.5)	13-month high
Greece	45.3	23-month high



The biggest mover was the Spanish PMI, which rose to one of the greatest extents in its history and reached a two-year high. The downturns in France, Italy and Greece also eased to 13-, four- and 23-month lows respectively.

Rates of decline in eurozone manufacturing output and new orders both eased over the month, with production falling at the slowest pace in the current 15-month sequence of contraction and new orders declining at the weakest rate since June 2011.

Eurozone manufacturers continued to link weaker demand to the lacklustre condition of domestic markets, as new export order inflows showed signs of stabilising in May. New export orders were broadly unchanged over the month, as new export business returned to Spain, the Netherlands and Austria, while the rate of decline in Germany eased to a negligible pace.

Price pressures continued to decline during the latest survey period. Average input costs fell at the steepest pace since July 2009, largely due to falling prices for commodities and raw materials. Part of the reduction reflected an easing of supply-side pressure, as highlighted by the first shortening of average vendor lead times for eight months. Greece was the only nation to see an increase in input costs in May.

Meanwhile, a combination of lower input costs and weak demand – which restricted pricing power – led to the sharpest reduction in output charges at eurozone manufacturers for 40 months. All of the nations covered by the survey signalled a decrease in factory gate prices.

Job losses were reported in the eurozone manufacturing sector for the sixteenth straight month in May. Cuts were signalled in all of the nations covered by the survey, with the steepest rates of loss in Greece, France and Austria. A sharp reduction was also seen in Spain, although this represented a marked easing in the rate of decline compared to one month earlier.

The outlook for the sector remained mixed in May. On the positive side, the cyclically sensitive new orders-to-finished goods inventory ratio surged to its joint-highest level in the past two years. However, there remained some downside risk to the outlook, as companies' cautious approaches to stock holding and purchasing decisions led to further declines in input buying and holdings of both raw materials and finished goods.

Comment:

Chris Williamson, Chief Economist at Markit said:

"Although the euro area manufacturing economy continued to contract in May, it is reassuring to see the rate of decline ease to such a marked extent. The sector still seems some way off stabilising, however, and therefore remains a drag on the economy.

"Despite the final PMI coming in above the flash reading, the surveys still suggest that GDP is likely to have fallen 0.2% in the second quarter, extending the region's recession into a seventh successive quarter.

"Policymakers will nevertheless be pleased to see the downturn not getting any worse, suggesting the ECB will see no immediate need for further action at its June meeting. In particular, the surveys brought good news in terms of signs of stabilisation in Germany and export-led growth in Italy and Spain, the latter suggesting structural reforms are boosting competitiveness.

"France remains a key concern, having contracted at a steeper rate than Spain and Italy throughout the year so far. The ongoing marked fall in employment and the steepest drop in factory gate prices for three-and-a-half year also act as sobering reminders that the region faces the twin problems of unemployment rising to new record highs and underlying deflationary pressures."

-Ends-

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Note to Editors:

The Eurozone Manufacturing *PMI*® (*Purchasing Managers' Index*®) is produced by Markit and is based on original survey data collected from a representative panel of around 3,000 manufacturing firms. National data are included for Germany, France, Italy, Spain, the Netherlands, Austria, the Republic of Ireland and Greece. These countries together account for an estimated 90% of Eurozone manufacturing activity.

The final Eurozone Manufacturing *PMI* follows on from the flash estimate which is released a week earlier and is typically based on approximately 85%–90% of total *PMI* survey responses each month. The May flash was based on 92% 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 Manufacturing *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 revised data are available to subscribers from Markit. Please contact economics@markit.com.

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About PMIs
Purchasing Managers' Index® *(PMI*®*)* surveys are now available for 32 countries and also for key regions including the Eurozone. They are 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.