

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0900 (UK Time) 23 October 2014

Markit Flash Eurozone PMI[®]

Stable PMI masks steepest fall in output prices since global crisis and renewed job losses

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 52.2 (52.0 in September). 2-month high.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 52.4 (52.4 in September). Unchanged.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 50.7 (50.3 in September). 2-month high.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 51.9 (51.0 in September). 3-month high.

Data collected 13-22 October.

The Eurozone saw a marginal upturn in growth of business activity in October, according to the flash PMI results. The headline Markit PMI™ rose from September's ten-month low of 52.0 to 52.2, signalling the first upturn in the pace of expansion for three months. However, the index remained below the average seen in the third quarter, and was the second-weakest reading seen so far this year.

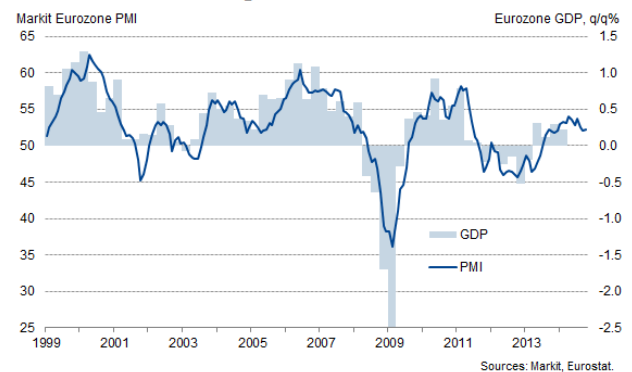
Manufacturing output expanded at the fastest rate for three months, while growth of service sector activity was unchanged on the six-month low seen in September. In both cases, rates of growth remained historically weak and below the averages seen in the year to date.

Furthermore, although output rose at a slightly faster rate, new orders barely rose in October, registering the smallest monthly improvement since orders began rising in August of last year. Manufacturers reported a second consecutive monthly drop in new orders, albeit again only modest, while inflows of new business in the service sector showed the smallest rise since January.

Backlogs of work fell at the fastest rate since June of last year, dropping in both services and, to a lesser extent, manufacturing.

Subdued demand prompted firms to cut staffing

Eurozone economic growth and the PMI



levels. Although only marginal, the reduction in headcounts was notable in being the first since November of last year. Service providers reported the first cut in payroll numbers since March, though manufacturers reported a slight upturn in employment.

Prices were increasingly being cut in order to help boost sales. Average prices charged for goods and services showed the largest monthly fall since February 2010, having now fallen almost continually for just over two-and-a-half years.

Charges for services fell at the steepest rate since January 2010 while a more modest decline was seen in the manufacturing sector, where prices fell only marginally and to a lesser extent than in September.

Price cuts occurred despite overall input costs rising in October, pointing to a further squeeze on operating margins. That said, manufacturing input prices fell for the second month running.

Finally, business optimism about the year ahead in the service sector fell to the lowest since June of last year. The outlook is perhaps a little brighter in manufacturing, where the amount of goods

purchased for use in production rose for the first time in three months.

By country, **France** saw business activity fall for a sixth successive month, deteriorating at the fastest rate since February. Rates of decline accelerated slightly in both manufacturing and services. New business and employment suffered the largest falls since June and April of last year respectively. French selling prices dropped at the fastest rate since October 2009.

There was better news out of **Germany**, where the PMI rose to its highest for three months. While services saw the slowest pace of expansion since June, growth of manufacturing output rebounded to a three-month high. However, German companies also reported that new business rose at the slowest pace since September of last year, while employment growth slowed and prices charged were cut to the greatest extent since September 2012.

Elsewhere across the region, output growth partially recovered from the slide to a ten-month low in September. But new business growth was the weakest for 11 months, employment barely rose and prices charged fell at the steepest pace since July of last year.

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

“The Eurozone PMI rose in October but anyone just watching the headline number misses the darker picture painted by the survey’s other indices, which show the region teetering on the verge of another downturn.

“Growth of new orders slowed closer to stagnation and backlogs of work fell at a faster rate, causing employment to be cut for the first time in nearly a year.

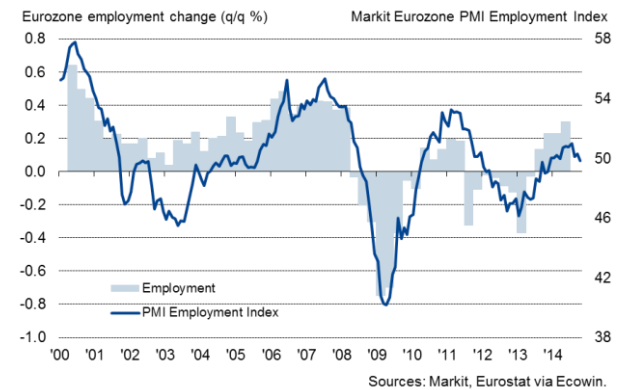
“Business confidence in the service sector also slid to the lowest for over a year and prices charged fell at the fastest rate since the height of the global financial crisis, adding to an increasingly downbeat assessment of business conditions.

“While the survey suggests the euro area has so far avoided a slide back into recession this year, a renewed downturn cannot be ruled out. Growth is so anaemic that increasing numbers of companies are being forced into laying off staff and slashing prices in an attempt to cut costs and boost sales through discounting.

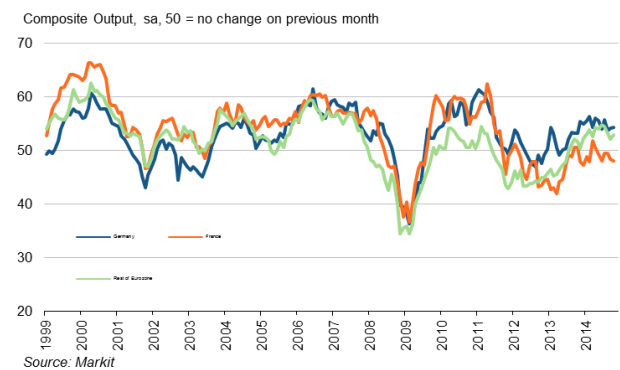
“The survey data are broadly consistent with GDP rising 0.25% in the third quarter, but unless demand picks up soon, growth could weaken again in the fourth quarter and deflationary forces could intensify.”

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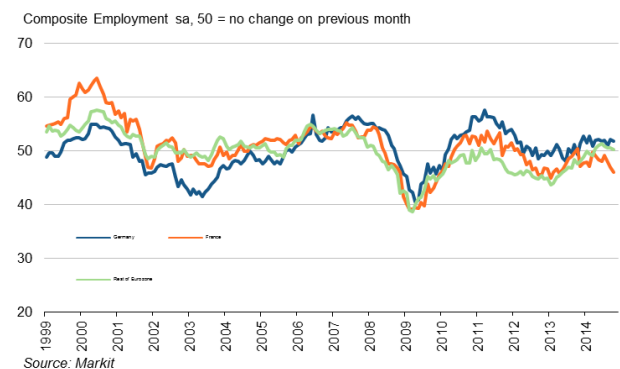
Employment



Core v. Periphery PMI Output Indices



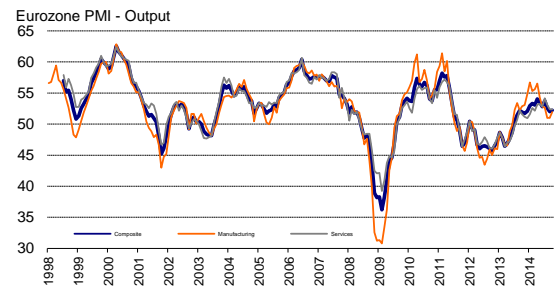
Core v. Periphery PMI Employment Indices



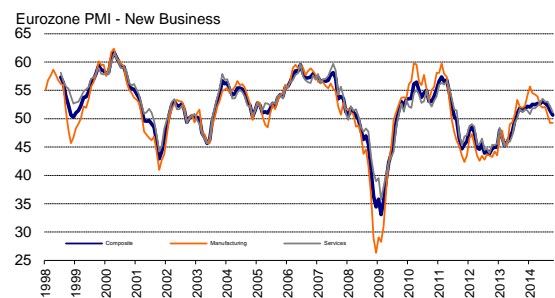
Summary of October data

Output	Composite	Output increases for sixteenth month running, but at second-weakest rate in 2014 so far.
	Services	Activity increases at unchanged rate since September.
	Manufacturing	Output growth picks up to three-month high.
New Orders	Composite	New business growth weakest in current 15-month sequence.
	Services	New business growth at nine-month low.
	Manufacturing	New orders decline marginally for second month running.
Backlogs of Work	Composite	Backlogs decline at fastest rate since June 2013.
	Services	Outstanding business falls at strongest pace since June 2013.
	Manufacturing	Backlogs fall for sixth month running.
Employment	Composite	Employment falls for first time since November 2013.
	Services	Employment falls slightly.
	Manufacturing	Workforces increase marginally for second month running.
Input Prices	Composite	Input price inflation little-changed from September's five-month low.
	Services	Input price inflation picks up slightly since September
	Manufacturing	Input prices fall for second month running.
Output Prices	Composite	Output prices fall at strongest rate since February 2010.
	Services	Charges decline for thirty-fifth successive month.
	Manufacturing	Factory gate prices fall for second month running.
PMI⁽³⁾	Manufacturing	PMI rises slightly to 50.7.

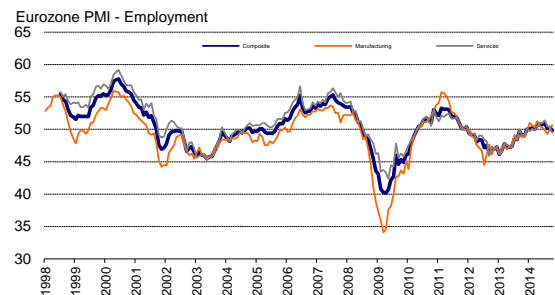
Output



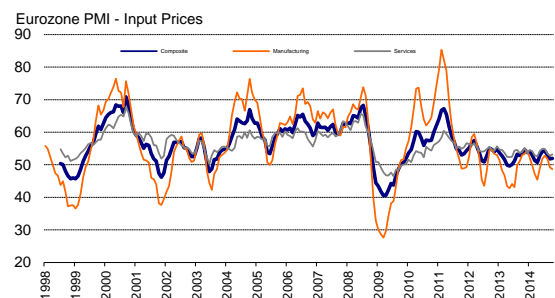
New business



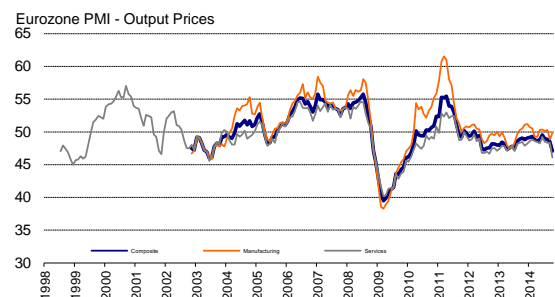
Employment



Input prices



Output prices



Source: Markit.

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Note to Editors:

Final October data are published on 3 November for manufacturing and 5 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 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> ²	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 diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ over 3,000 people in 10 countries. Markit shares are listed on NASDAQ under the symbol "MRKT". For more information, please see www.markit.com.

About PMI

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.

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