

European Union

Basic materials headed sector growth table in February, while financials enjoyed strongest expansion since July 2007

Key findings

- **Commodity-facing** sectors recorded sharpest production growth on average, driven by **chemicals**.
- **Financials** strengthened, led by **real estate**.
- **Industrial transportation and travel & leisure** recovered following weather-hit January.
- **Autos & parts** showed signs of slowing.

Basic materials growth highest since December 2006

Having seen the steepest rebound of all major EU industry groups last year, **basic materials** strengthened further in February according to sector PMI data compiled by Markit. The industry – which covers chemicals, forestry & paper and metals & mining sectors – recorded the strongest rise in output of all industry groups. The rate of expansion accelerated to the fastest since December 2006.

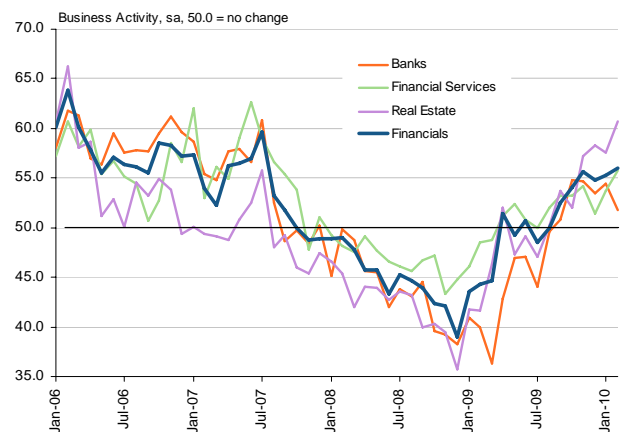
Of the three constituent sectors, **chemicals** posted the strongest growth and the fourth-fastest expansion of all sectors covered. The rate of growth was the fastest since April 2000. **Industrial metals & mining** also registered a marked expansion, with the rate of increase accelerating to a near three-year high. **Forestry & paper** also saw faster growth, but weaker expansion than the other two sectors.

Financials growth accelerated, despite weaker rise in banking activity

PMI data covering the broad EU **financials** industry signalled the fastest growth of business activity since July 2007. Moreover, financials posted a sharper rise in activity than all other major industry groups except basic materials. Since the financials series tends to

lead the wider service sector data, this supports the view that services growth in the EU will continue to strengthen in the coming months.

Chart 1: Financials components



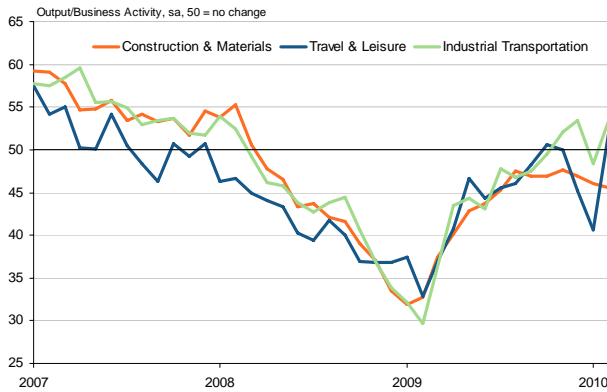
The detailed financial sector data indicate that **real estate** and, to a lesser extent, **financial services**, drove the acceleration in February. Real estate posted the second-fastest rate of expansion of all sectors covered, and the strongest growth since February 2006. However, activity in **banks** rose at the slowest pace in five months, making it the fourth-weakest performing sector in February.

Weather-related disruption eased, but construction remained weak

Having provided an insight into how the severe winter weather in January affected business in specific sectors, the February sector data showed that upward momentum had resumed as conditions improved. Two sectors especially hard-hit by the snow, namely **industrial transportation** and **travel & leisure**, recorded higher activity in February following contractions at the start of the year. The rise in the latter contributed to the first overall rise in **consumer services**** activity in three months.

The third sector to record lower output in January, **construction & materials**, was the only sector to also record a decline in February. Moreover, the rate of reduction was the fastest since July 2009.

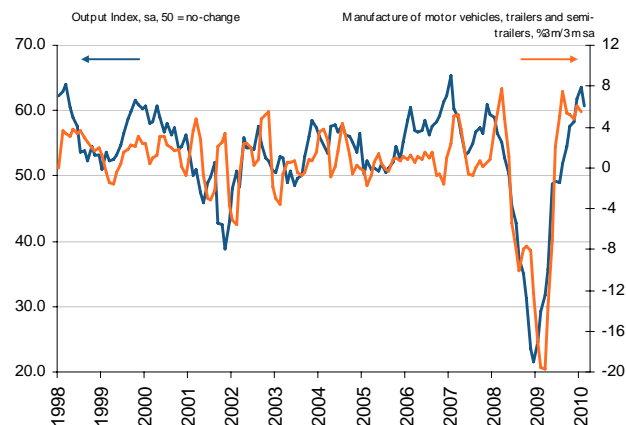
Chart 2: Weather eased but construction still poor



Autos growth remained sharp, but eased since January

PMI data covering the **autos & parts** sector continued to signal rapid growth of production in February. Autos & parts posted the third-fastest rate of expansion of all sectors covered. However, the pace of growth eased for the first time in the current seven-month sequence. This was likely in part due to the ending of the Italian car scrappage scheme in January, joining the already-closed German and French initiatives (although the UK and Spanish schemes are still in effect).

Chart 3: EU Autos & Parts vs eurostat output index



The autos sector helped drive overall growth of **consumer goods** output in February. That said, the rate of expansion eased since January despite faster growth at food and beverage producers.

Chart 4: EU industries, Output/Business Activity

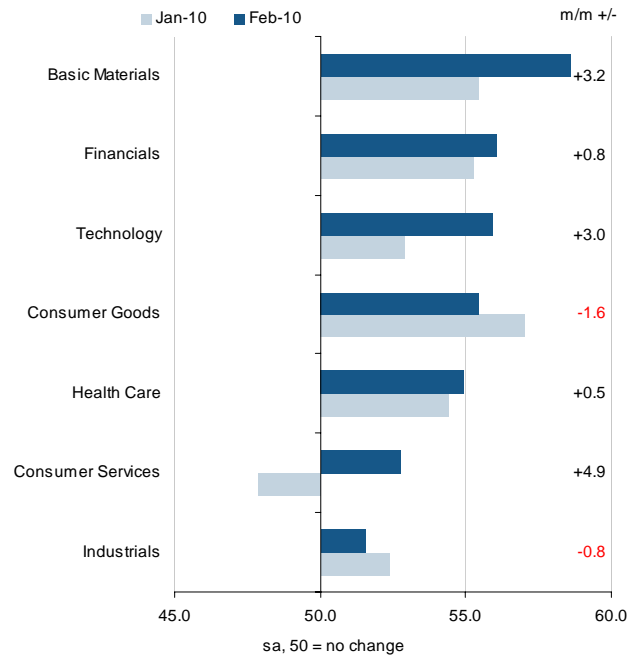
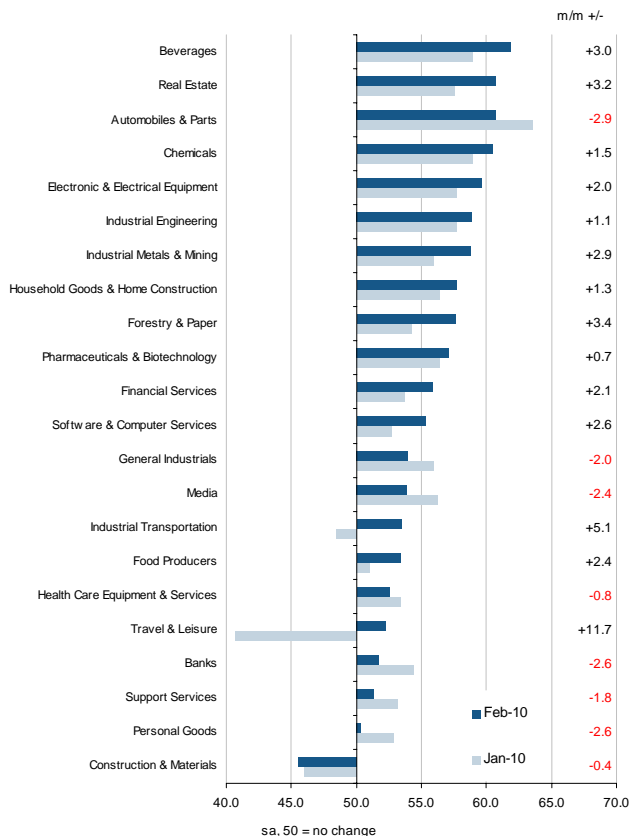


Chart 5: EU sectors, Output/Business Activity



EU sector data are derived from the same national manufacturing, services and construction panels used for the PMI surveys, which together cover around 6,000 private sector companies. The sector data also track new and outstanding business, employment, price trends, purchasing, stocks and supplier performance, and are released on the fifth working day of each month. March data will be available on 9 April. For more information, please contact economics@markit.com.

Markit EU Sector PMIs

Industry	Supersector	Sector
1000 Basic Materials	1300 Chemicals	1350 Chemicals
	1700 Basic Resources	1730 Forestry & Paper
		1750 Industrial Metals & Mining 1770 Mining*
2000 Industrials	2300 Construction & Materials	2350 Construction & Materials
	2700 Industrial Goods & Services	2710 Aerospace & Defence*
		2720 General Industrials
		2730 Electronic & Electrical Equipment
		2750 Industrial Engineering
		2770 Industrial Transportation
		2790 Support Services
3000 Consumer Goods	3300 Automobiles & Parts	3350 Automobiles & Parts
	3500 Food & Beverage	3530 Beverages
		3570 Food Producers
	3700 Personal & Household Goods	3720 Household Goods & Home Construction
		3740 Leisure Goods*
		3760 Personal Goods 3780 Tobacco*
4000 Health Care	4500 Health Care	4530 Health Care Equipment & Services
		4570 Pharmaceuticals & Biotechnology
5000 Consumer Services**	5500 Media	5550 Media
	5700 Travel & Leisure	5750 Travel & Leisure
8000 Financials	8300 Banks	8350 Banks
	8500 Insurance*	
	8600 Real Estate	
	8700 Financial Services	8770 Financial Services
9000 Technology	9500 Technology	9530 Software & Computer Services
		9570 Technology Hardware & Equipment*

*not currently published at sector/supersector level but included at supersector/industry level.

**excludes 5300 Retail

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