

European Union

Manufacturers continued to lead the recovery in December as bad weather hit services and construction

- Harsh weather affected construction, travel and industrial transportation.
- Engineering and commodity-related manufacturers continued to post fastest growth.
- Financial industry saw further muted expansion.

The latest EU sector data covering seven broad industry groups and 22 detailed sectors showed that heavy manufacturers remained the best performers, while the recent heavy snow in Northern Europe affected activity in sectors such as construction and transport. Although January should see a rebound from the harsh weather, the data also show underlying weaknesses in consumer- and finance-related sectors.

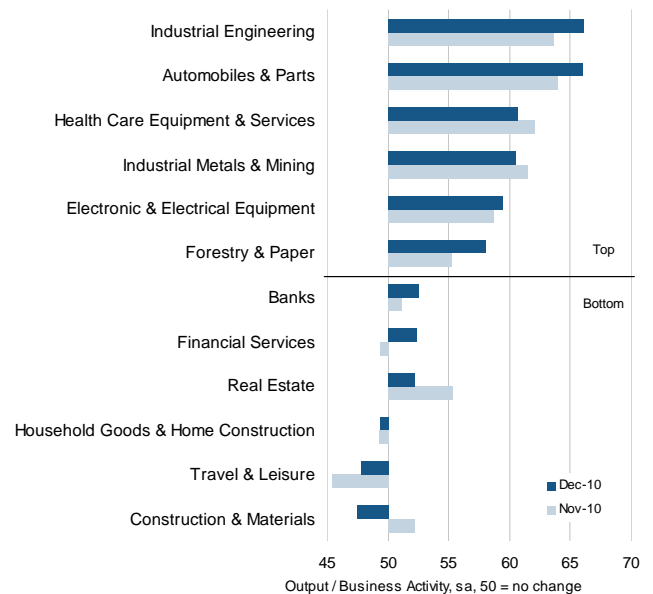
Weather affected key service sectors and construction

Data for the **construction & materials** sector, which includes both construction companies and their suppliers, signalled a fall in activity for the first time in ten months in December. The sector consequently posted the worst performance of all sectors for the first time since July. Firms reported that heavy snow had impacted on projects during the month.

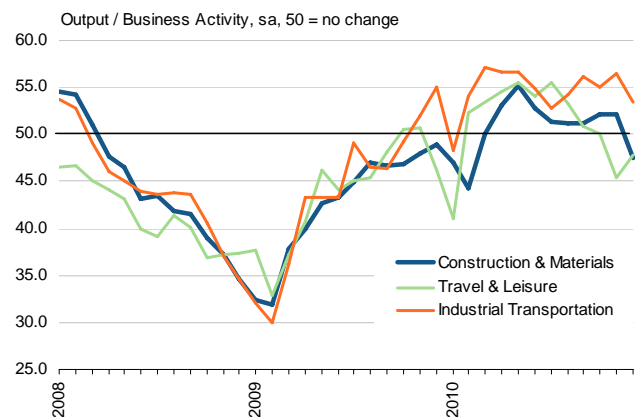
Similar impacts from the harsh winter weather were felt in **travel & leisure** and, to a lesser extent, **industrial transportation**. Activity in the former declined for the second month running, while the latter slipped eight places in the growth table since November, to 14th overall. A similar pattern was evident one year ago, followed by a pick-up when the cold weather abated. So unless harsh conditions persist into the New Year, January data should show a similar rebound.

However, the sector data also revealed further weakness in finance-related areas, which should not have been particularly affected by the weather. **Banks**, **financial services** and **real estate** all saw only muted rates of growth, with the latter showing a steep slowdown.

EU sectors: winners and losers (December)



Repeat of weather-related disruption

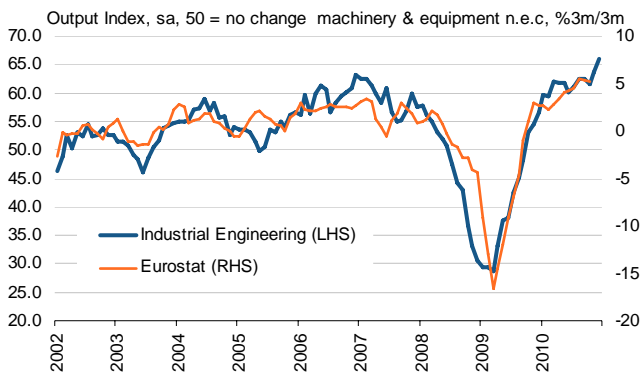


Source: Markit.

Five key manufacturing sectors remained at the top of the table in December. **Industrial engineering** recorded the fastest growth, trading places again with **automobiles & parts**. The next three spots were again occupied by **health care equipment & services**, **industrial metals & mining** and **electronic & electrical equipment** respectively. Together, these five sectors have recorded the fastest rates of

expansion every month during the fourth quarter, underlining the key role of manufacturing as the EU economy strives to sustain growth. Emphasising the point, the top half of the table was entirely populated by manufacturers except for **software & computer services**, in eighth place overall.

EU Industrial Engineering



Source: Markit, Eurostat.

Rising employment could yet spur domestic consumers

There was evidence of a more entrenched recovery in private sector employment in December, offering hope that improved labour markets may help boost still-dormant domestic demand in many parts of Europe in 2011. The overall rate of job creation across manufacturing and services eased since November, but remained above the long-run trend for the series¹. Of 22 sectors covered, 16 reported employment growth in December, the best outcome since March 2008. **Automobiles & parts** registered the strongest job creation in December, followed closely by **electronic & electrical equipment**.

The latest sector data therefore highlight the continued uneven nature of the current sequence of European economic growth, alongside the national divergences also present². Consumer- and finance-related industries remain rooted at the bottom of the growth table, reflecting weak domestic consumer demand outside the core economies of Germany and France.

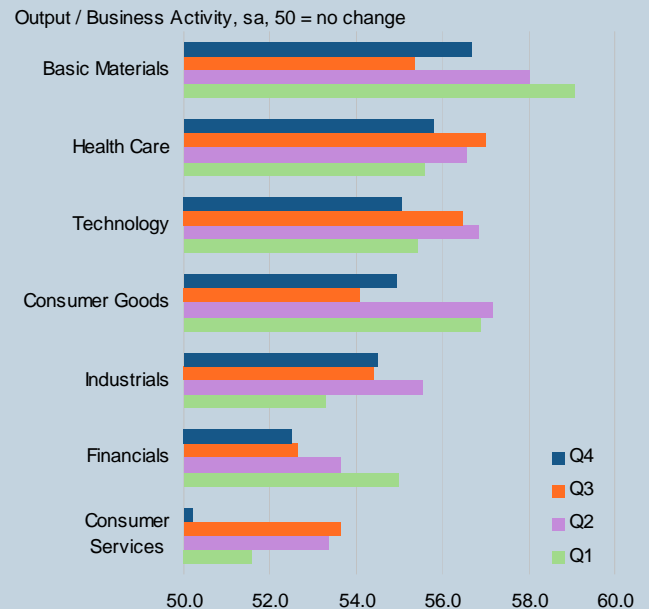
¹ Since June 1997.

² http://www.markit.com/assets/en/docs/commentary/markit-economics/2011/jan/EZ_Composite_ENG_1101_PR.pdf

Industries: 2010 overview

European Union PMI output data showed that the **basic materials** industry group (comprising mining, metals, chemicals and forestry) posted the strongest output growth in three out of four quarters in 2010. High-tech **health care** and **technology** posted the second- and third-best trend growth rates over the year as a whole.

The **consumer goods** industry was boosted by autos production, but saw persistent weakness in other sectors such as personal and household goods. Similarly, **consumer services** saw the weakest growth in three out of four quarters. Meanwhile, **financials** has posted slowing growth on average in all four quarters.



Notes on data and forthcoming releases

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, price trends, purchasing, stocks and supplier performance, and are released on the fifth working day of each month. January data will be available on 7 February.

For more information, please contact economics@markit.com.

Markit EU Sector PMIs

Industry	Supersector	Sector
1000 Basic Materials	1300 Chemicals 1700 Basic Resources	1350 Chemicals 1730 Forestry & Paper 1750 Industrial Metals & Mining 1770 Mining*
2000 Industrials	2300 Construction & Materials 2700 Industrial Goods & Services	2350 Construction & Materials 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 3500 Food & Beverage 3700 Personal & Household Goods	3350 Automobiles & Parts 3530 Beverages 3570 Food Producers 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 5700 Travel & Leisure	5550 Media 5750 Travel & Leisure
8000 Financials	8300 Banks 8500 Insurance* 8600 Real Estate 8700 Financial Services	8350 Banks 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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