

European Union

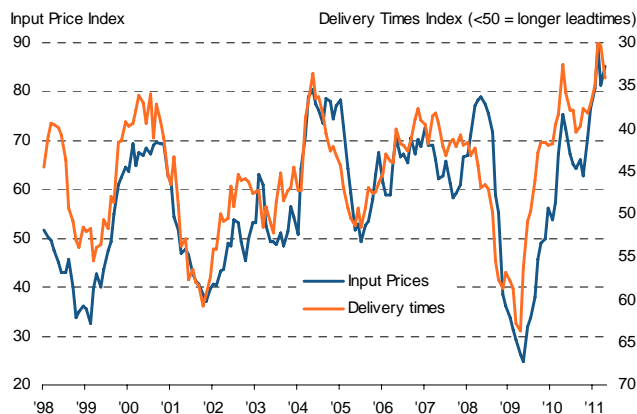
Auto makers suffer from combination of rising price pressures, supply chain delays and weaker sales growth

- **Sector sees second-sharpest rise in costs in series history.**
- **Supply chain delays near record high.**
- **Export sales growth slips close to stagnation.**

Detailed PMI sector data showed that average input price inflation slowed in 15 of the 22 sectors¹ covered in April. However, the most noteworthy of the seven sectors bucking the trend, and seeing the sharpest *acceleration* of input cost inflation, was automobiles & parts. The rate of input cost inflation signalled was the second-highest seen in the sector since the series began in 1998, exceeded only by February's all-time high.

Auto producers also saw the second-greatest extent of supply chain delays of all sectors in April, in part linked to disruptions emanating from the Japanese earthquake of 11 March. The delivery delays and rise in prices are linked: longer delivery times tend to give suppliers greater ability to hike prices, as delivery delays usually mean demand is exceeding supply.

EU Automobiles & Parts



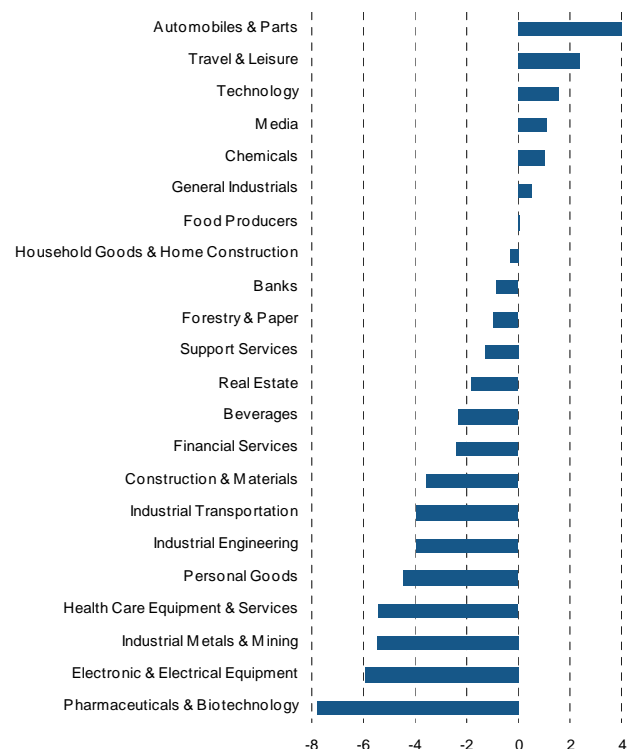
Supply chain delays in the autos sector were already at a record high prior to the Japanese earthquake, having risen sharply at the start of the year. Although

the incidence of delays eased slightly in April, they continued to run at a level not previously seen over the series history prior to this year, suggesting that suppliers may continue to be able to hike prices in coming months unless autos production turns down – which in fact appears likely.

Inflows of new orders weaken as export sales almost stagnate

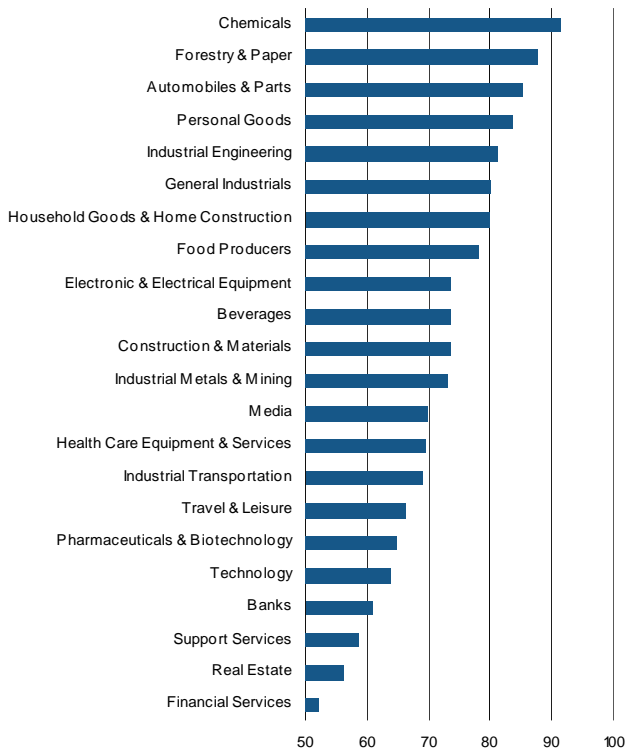
The EU PMI data showed the weakest rise in auto & parts new orders since last June. Moreover, growth of new export orders slowed to near-stagnation, in marked contrast to the near-record growth rate seen at the start of the year. The sector's export sales growth was the worst of all manufacturing sectors covered by the PMIs with the exception of forestry & paper (where new export orders fell marginally in April).

EU Sector PMI Input Prices Index Change in index compared to March



EU Sector PMI Input Prices Index

Index levels in April (50 = no change on prior month)



Notes on data and forthcoming releases

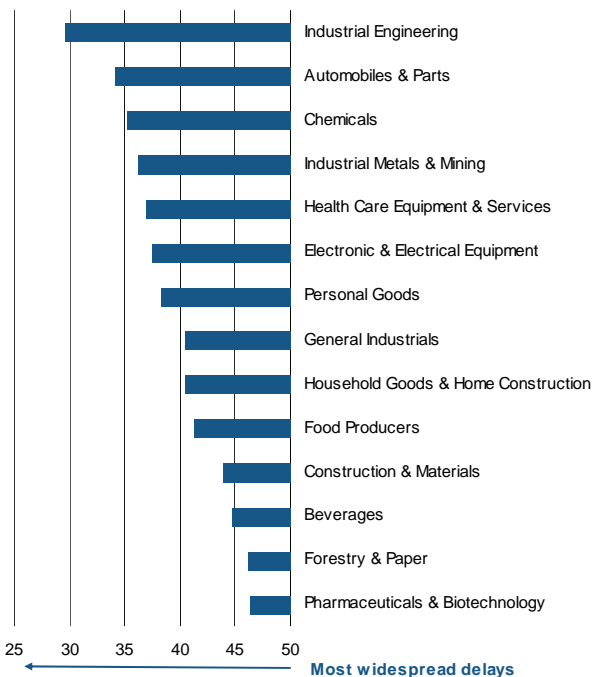
EU sector data are derived from the same national manufacturing, services and construction panels used for the PMI surveys, which together cover around 6,000 private sector companies. The sector data also track new and outstanding business, price trends, purchasing, stocks and supplier performance, and are released on the fifth working day of each month. May data will be available on 7 June. 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
 ***excludes 4533 Health Care Providers

EU Suppliers' Delivery Times Index, April 2011



Markit EU Sector PMI: Suppliers' Delivery Times Index (50 = no change on prior month)

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¹ http://www.markit.com/assets/en/docs/commentary/markit-economics/2011/may/EU_ICB_11-05-10.pdf