

# EU Sector PMIs

## Sector data highlight breadth of EU downturn

### Key findings

- All sectors saw output fall in February.
- Autos and metal-using firms face especially tough conditions.
- Input prices declined across most sectors

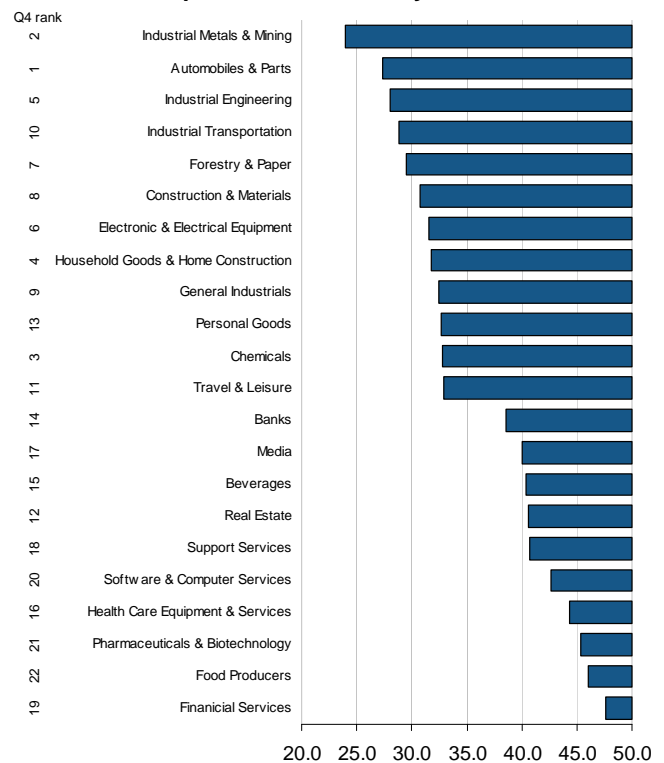
The latest EU PMI data compiled by Markit showed falling output across all sectors in February. At the broadest level, activity fell sharpest in manufacturing and construction, followed by services. Both the broad EU manufacturing and service sectors posted the steepest falls in output on record in the latest period.

### Detailed sector data show widespread declines in output

PMI data also enable a unique and very up-to-date evaluation of detailed sector trends, with sector data at the EU level are available at three different stock market classification tiers: industry, supersector and sector. Industry level data for the first two months of 2009 show that the fastest contraction in output was in Basic Materials, which includes chemicals, metals and forestry companies. Consumer Goods registered the second-strongest contraction, followed by Industrials and Consumer Services. The weakest declines were posted in Financials, Health Care and Technology respectively.

Chart 1 shows February data at the most detailed sector breakdown, and also the relative positions over Q4 2008 as a whole. It shows sustained weakness in the Industrial Metals and Autos & Parts sectors, although the latter posted a weaker fall in output in the latest period when compared to the severe contractions in recent months.

Chart 1: EU Output/Business Activity Index, Feb '09



Data for January and February point to sharper rates of contraction in output in the first quarter of 2009 compared to the final quarter of 2008 in most sectors. The exceptions are Financial Services, Real Estate, Beverages, Banks, Chemicals and Autos & Parts, though conditions in the latter two remain extremely weak overall.

### Falling price pressures

Sector PMIs also show price trends across industries, and the latest February data signalled lower average input prices across all sectors except Software & Computer Services, Financial Services and Support Services. Input prices fell sharpest in Forestry & Paper, Industrial Metals and Industrial Engineering respectively (see chart 2).

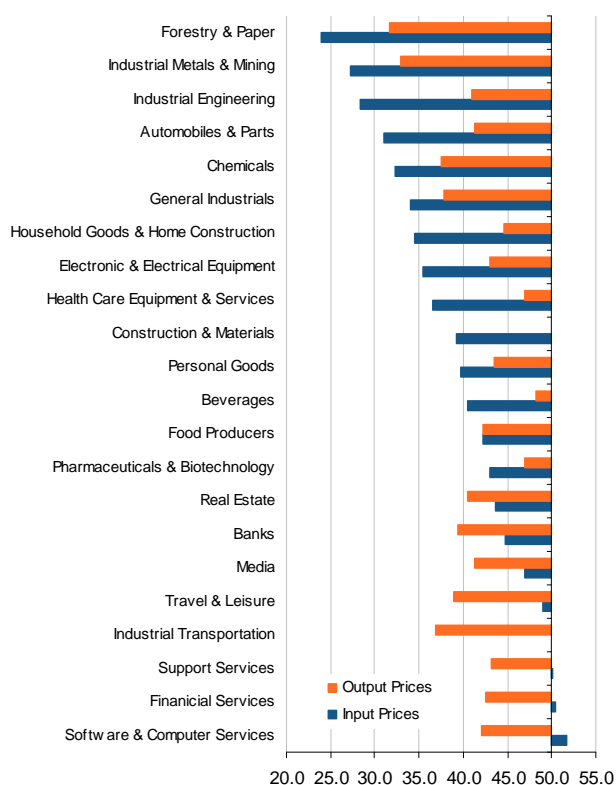
There was also evidence of downward pressure on prices charged during the month, with companies

across all sectors reducing their selling prices or rates. Anecdotal evidence from the PMI surveys linked lower charges to both lower cost pressures and heightened price competition in a climate of weak market demand.

### Broad-based weakness underlined March rate cuts

Detailed sector analysis of the latest EU PMI activity and prices data support the latest 50bps cuts in interest rates from both the European Central Bank and Bank of England and moves towards quantitative easing to boost the economy (see <http://www.markit.com/information/news/commentary/markit-economics.html>). Interest rates were also cut in Poland and the Czech Republic in February. The release of March data will complete the picture of whether the economic downturn across Europe has gathered pace in Q1, or whether Q4 represented the nadir of the current economic crisis. The earliest indication will be provided by the Eurozone Flash PMI on 24 March. National PMIs for manufacturing are released 1 April and for services on 3 April, with the detailed sector data following on 7 April.

Chart 1: EU Price Indexes, Feb '09



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