

EU Sector PMIs

Sector data highlight breadth of EU recession

Key findings

- Many non-financial industries now seeing steeper downturns than finance industry.
- Autos and metal-using firms hit especially hard.
- Input prices now falling in many sectors.

The latest EU sector data from Markit Economics showed that the economic downturn had deepened across the board in November. All of the main ICB Industry groups covered by the PMIs registered series-record declines in both activity and new business.

Financial sector woes outweighed by consumer and industrial downturns as fourth quarter progresses

The latest sector breakdown suggests that the financial sector is no longer the main weak-point of the overall economic downturn, as falling consumer and industrial demand has taken on a new momentum (see Chart 1). This appears in line with the proliferation of reports of job cuts at retailers and woes in the autos industry in particular.

Table 1 shows how the main industries covered by PMI data have fared relative to each other over the course of 2008. In the first half of the year, Financials registered the steepest contraction while high-tech sectors showed resistance to the overall downturn. However, in Q3, consumer-related sectors overtook Financials in terms of the severity of falling activity. They have been joined by Basic Materials and Industrials in Q4.

Focusing on the November figures, the steepest declines in activity were registered in Automobiles & Parts, Industrial Metals, Chemicals and Household Goods respectively (Chart 2, overleaf). The weakest contractions were seen in Pharmaceuticals & Biotechnology, Food Producers and Software & Computer Services.

Chart 1: Output/Business Activity Index

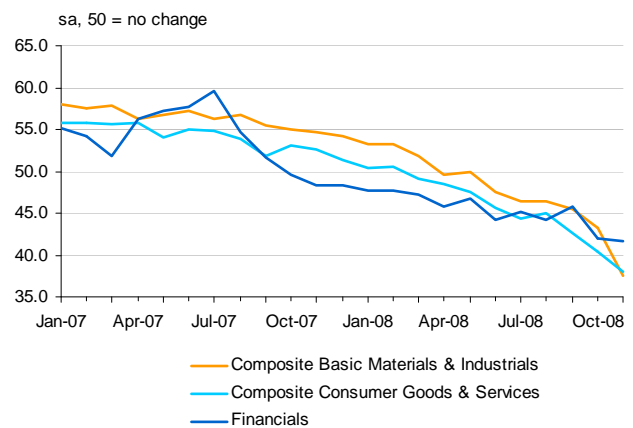


Table 1: Weakest Industries in 2008

Average of Output/Business Activity Index
*denotes below 50.0

Q1	Q2
FINANCIALS*	FINANCIALS *
Consumer Services*	Consumer Services *
Basic Materials	Consumer Goods *
Consumer Goods	Basic Materials *
Industrials	Industrials *
Technology	Technology
Health Care	Health Care
Q3	Q4 (Oct,Nov)
Consumer Goods *	Basic Materials *
Consumer Services *	Consumer Goods *
FINANCIALS *	Consumer Services *
Basic Materials *	Industrials *
Industrials *	FINANCIALS *
Technology*	Technology*
Health Care	Health Care*

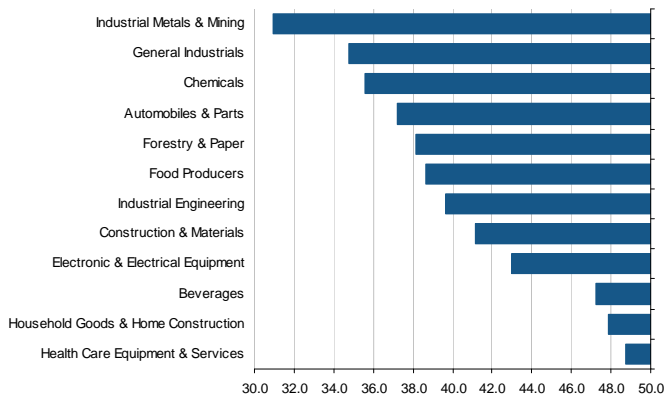
Every sector registered falling employment

Not one sector covered by PMI data was immune to job losses in November (see Chart 2). The worst affected sectors were Automobiles & Parts, Travel & Leisure and Construction & Materials, while those that largely avoided large scale job losses included Software & Computer Services, Pharmaceuticals & Biotechnology and Financial Services.

Many sectors posted steep falls in input prices

Total EU PMI data showed a sharp fall in manufacturers' input prices in November, while service providers' cost burdens rose at a slower pace. This broad trend was reflected in the detailed ICB sector data. Industrial Metals, General Industrials and Chemicals showed the steepest falls in average input prices (see Chart 3). The strongest rates of inflation were seen in Travel & Leisure and Media.

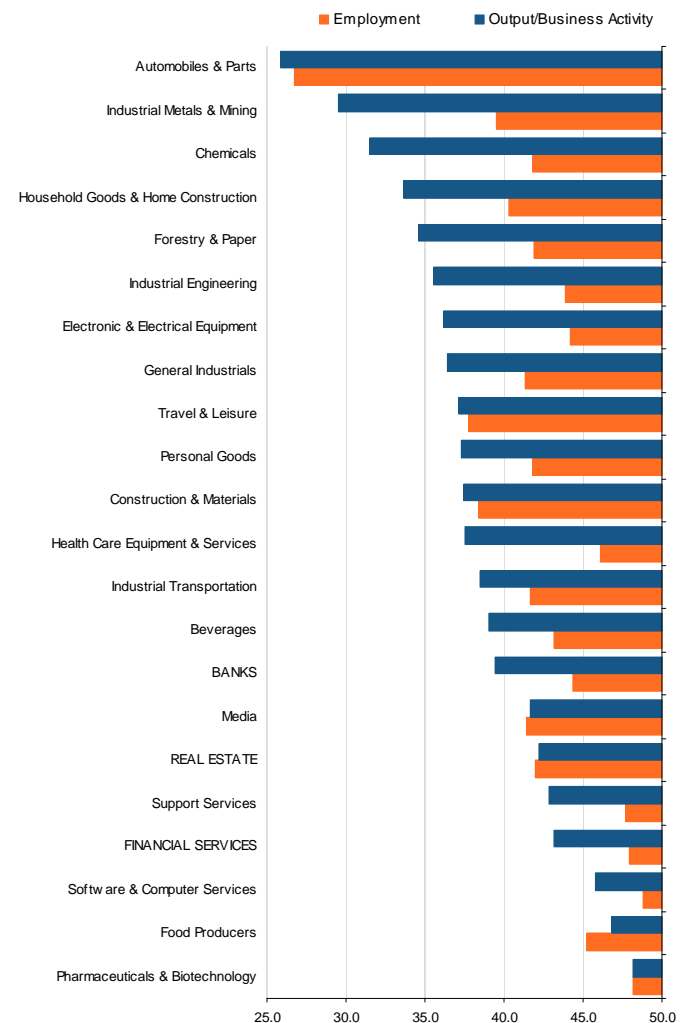
Chart 3: Input Prices Index, selected sectors



Broad-based declines in output and jobs underline need for rate cuts

The latest ICB PMIs, showing a widespread decline in output and employment across the EU private sector, illustrate the alarming speed at which consumer and business confidence has vanished following the near-implosion of the financial markets in the autumn. The data also show that prices are now falling in many industries at a time when the central banks have quickly diverted their aim from the fading spectre of inflation to combating recession.

Chart 2: Output/Business Activity & Employment Indices, November 2008



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