

# European Union

## Sector data show broad-based easing of downturn in March

### Key findings

- All sectors except electrical and banking show slower declines in activity.
- Widespread job shedding.
- Price pressures fading in most sectors.

### Majority of sectors showed weaker fall in activity at end of Q1

PMI data for March showed a further broad-based contraction of the EU private sector economy. The rates of decline in output in both manufacturing and services remained historically sharp, but eased from February's records.

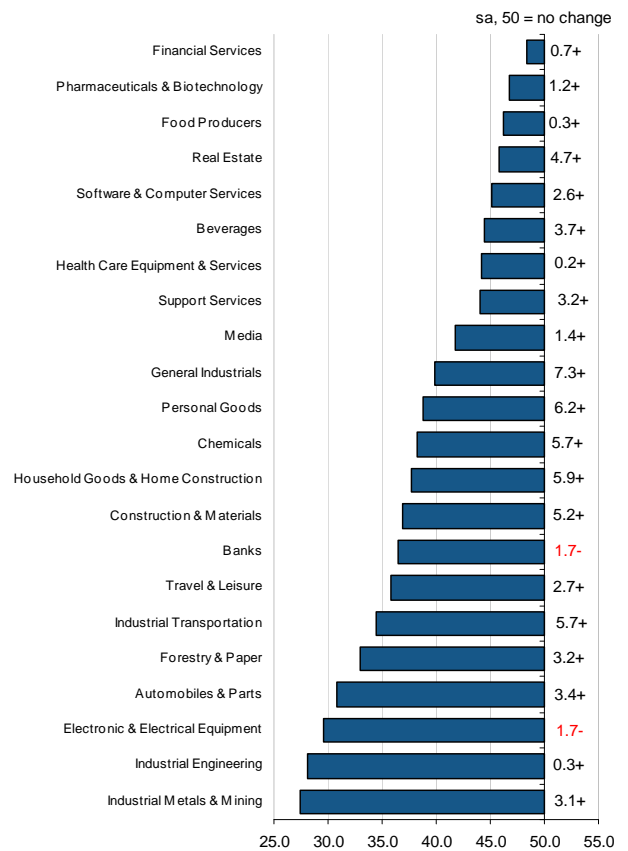
The moderation in the rate of decline was reinforced by the latest batch of detailed sector data compiled by Markit. Released on the fifth working day of every month, these series enable analysis of detailed sector trends across the EU, something which is not possible with the national PMI surveys on which the overall EU data are based.

Chart 1 plots the output/activity indexes for March 2009 at the most detailed tier for which PMI data are available. Heavy industries generally showed the steepest falls in output, led by Industrial Metals & Mining and Industrial Engineering. Over Q1 as a whole, Industrial Metals also showed the fastest decline in activity, followed by Automobiles & Parts.

Financial Services posted the slowest fall in activity in March and over Q1 as a whole. More generally, high-tech and food-related sectors performed relatively well.

The chart also displays the monthly change in the Output Index for each sector. Only Banks and Electronic & Electrical Equipment posted steeper falls in March compared to February. The strongest improvement was in General Industrials, followed by Personal Goods.

Chart 1: Sector Output/Business Activity Index March 2009



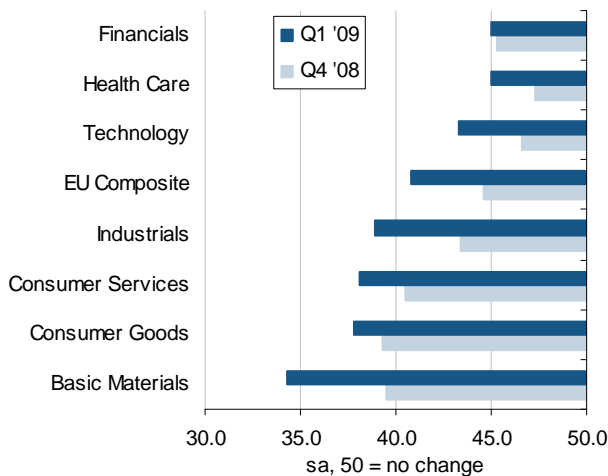
### Labour market deteriorated

While allowing analysis of detailed sector trends, PMI data are also available at a broader industry level. Chart 2 tracks employment trends in these broad industries and compares the first quarter of 2009 against the final three months of 2008. All major industries registered shrinking workforces in Q1, and faster rates of contraction than in Q4 2008. Basic Materials – including chemicals, forestry and metals – showed the largest overall decline in employment so far in 2009.

In March, PMI data registered survey record falls in manufacturing and services employment. Underlining this, the sector data showed record or near-record falls

in employment in eighteen out of the twenty-two sectors available at the most detailed tier. Automobiles & Parts registered the fastest overall rate of job shedding in March.

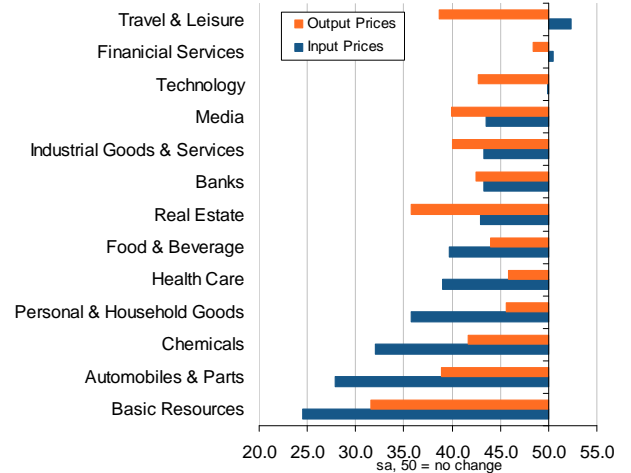
**Chart 2: Industry Employment Index**



**Input prices fell**

EU Service providers and manufacturers registered falling input prices in March. PMI sector data at the intermediate supersector level displayed falling cost burdens in all areas except Financial Services and Travel & Leisure. Pipeline disinflationary pressures were also evident as all thirteen supersectors reported falling output prices during the latest period. The sharpest declines were seen for Basic Resources – including forestry and metals – Real Estate and Travel & Leisure.

**Chart 3: Supersector Prices Indexes, March 2009**



**Consumer-facing sectors to weaken**

The latest sector data provide signs that Q2 may see a further moderation in the rate of decline in output, with new orders data showing a similar improvement to output across most sectors in March. However, the employment series weakened across the board in Q1, suggesting that consumer spending is set to weaken over the coming months.

**Forthcoming release dates (April data):**

EU ICB Sector PMIs: 8 May 2009

**Trevor Balchin**

**Economist**

Markit

Tel: +44 1491 461 065

Email: trevor.balchin@markit.com

For further information, please visit [www.markit.com](http://www.markit.com)

The intellectual property rights to this report provided herein is owned by Markit Group Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Markit is a trademark owned by the Markit group.