

# European Union

## Autos & Parts sector reports fastest growth of output for one-and-a-half years

### Key findings

- **Automobiles & Parts production increased for third month running in September.**
- **PMI above 50.0 for first time in 18 months.**

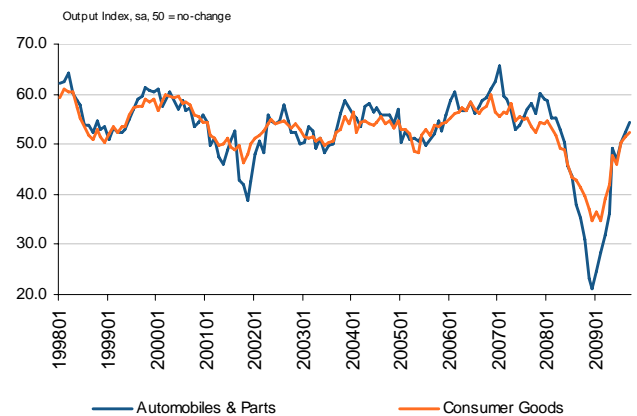
Detailed EU sector PMI data signalled that overall business conditions at makers of autos & parts improved for the first time in almost a year-and-a-half in September. The headline PMI, based on sub-indices for output, new orders, employment, supplier performance and input stocks, recorded 51.0. That was the first reading above the 50.0 neutral level since April 2008.

New orders rose for the third month running, a further indication of the boost car-makers have received from government scrapping incentives, leading to a third straight monthly increase in production.

The improvement in the Output Index in September saw it post the sixth-highest reading (54.4) among twenty-two sectors covered by PMI data. To put the latest figure in context, the Index had slumped to 21.2 in December 2008, the lowest figure of any sector ever recorded since the PMI sector series started in January 1998.

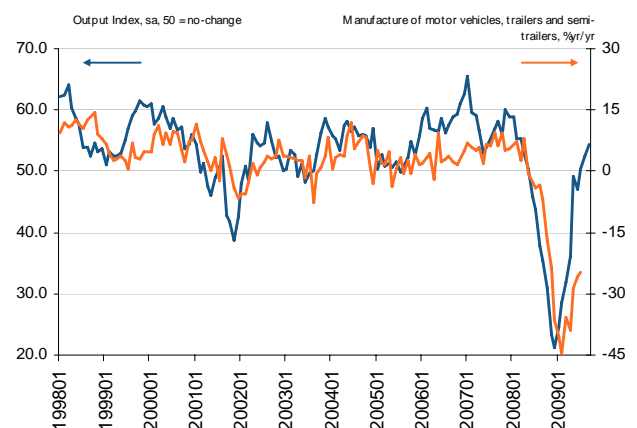
PMI data illustrate the relative severity of the downturn in autos compared to the wider EU consumer goods industry which encompasses autos – which also includes producers of food & drink and personal, household & leisure goods – and the subsequent rebound. Based on annual value added data from Eurostat, the autos & parts sector accounts for around 29% of the consumer goods industry.

Chart 1: Output Index



The PMI Output Index for the EU Automobiles & Parts sector can also be compared against statistics from Eurostat. The latest available data for July showed a steep 24.6% annual rate of decline in the production of motor vehicles and trailers, a category which is broadly consistent with those sectors included in the PMI Automobiles & Parts sector. Though marked, the latest rate of decline was the slowest in eight months. The PMI series — released over one month in advance of official data — accurately anticipated the sharp contraction in late-2008 and the subsequent easing in the pace of decline.

Chart 2: Output Index vs Eurostat



Over the series history, the Output Index has a correlation with the annual rate of change in autos production of 0.77. This improves to **0.88** when the Output Index is advanced by two months, highlighting the leading indicator properties of the PMI.

**The PMI ICB Automobiles & Parts sector is comprised of the following NACE classifications:**

- 29.1 Manufacture of motor vehicles
- 29.2 Manufacture of bodies (coachwork) for motor vehicles; manufacture of trailers and semi-trailers
- 29.31 Manufacture of electrical and electronic equipment for motor vehicles
- 29.32 Manufacture of other parts and accessories for motor vehicles
- 30.91 Manufacture of motorcycles
- 30.92 Manufacture of bicycles and invalid carriages
- 30.99 Manufacture of other transport equipment n.e.c.
- 22.11 Manufacture of rubber tyres and tubes; retreading and rebuilding of rubber tyres

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