

European Union

Sectors: Basic materials and consumer goods lead manufacturing upturn, while financial services and healthcare drive services growth

Key findings

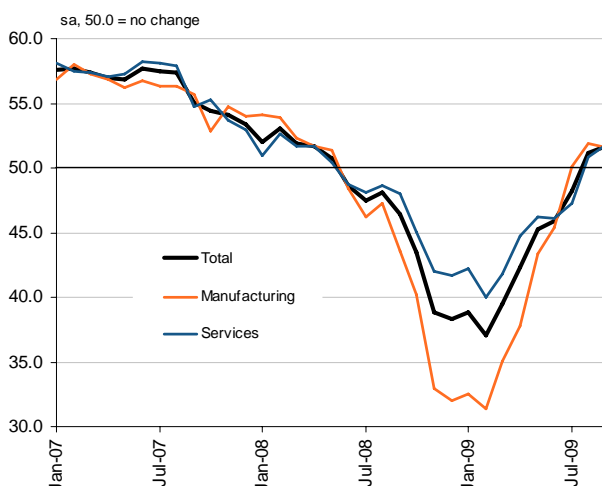
- Five out of seven broad industry groups showed growth.
- Basic materials continued to show fastest rate of output expansion.
- Consumer services reported strongest contraction.

Activity trends

PMI data compiled by Markit covering the EU manufacturing and service sectors showed a month-on-month increase in total private sector activity in September. The EU Composite (all-sector) Output Index remained above the neutral level of 50.0 for the second month running and edged up to 51.7, from 51.2 in August, indicative of further modest growth.

Broad sector data showed that manufacturing output rose for the third month running, at a rate little-changed from August. Meanwhile, services activity rose for the second month running, and at the fastest rate since February 2008.

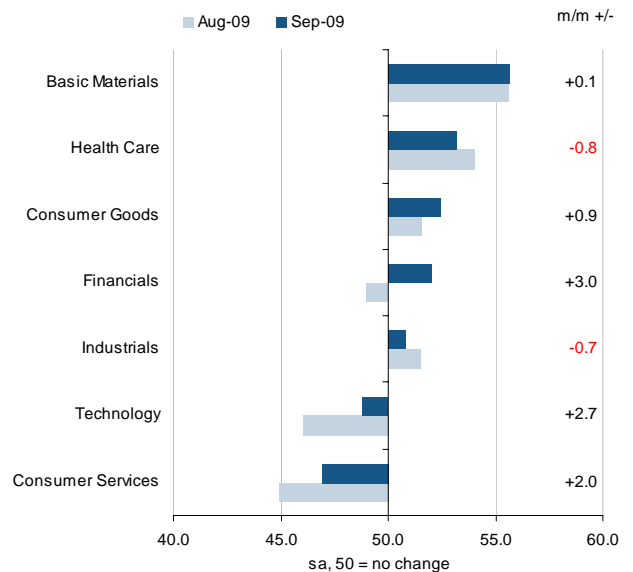
Chart 1: EU Output/Business Activity Index



Detailed sector data allow users to 'drill down' to a

greater extent than is possible with the overall PMI series, which are derived from Markit's national surveys covering 11 EU member states. Released on 7 October, the latest sector data at the EU level showed that five out of seven "industry" groups covered saw growth of business activity in September. That represented the most broad-based expansion since March 2008.

Chart 2: Output/Activity Index, industry tier



At the industry tier, Basic Materials posted the fastest rate of output expansion, as has been the case throughout the third quarter.

For the second straight month, Health Care was in second place, although it posted a softer rate of expansion than in August. Industrials was the only other industry group to post a lower Activity Index reading than in August. Growth of Consumer Goods output strengthened, while weaker declines were posted in both Technology and Consumer Services.

Notably, activity in Financials – including banks, financial services, real estate and insurance – returned

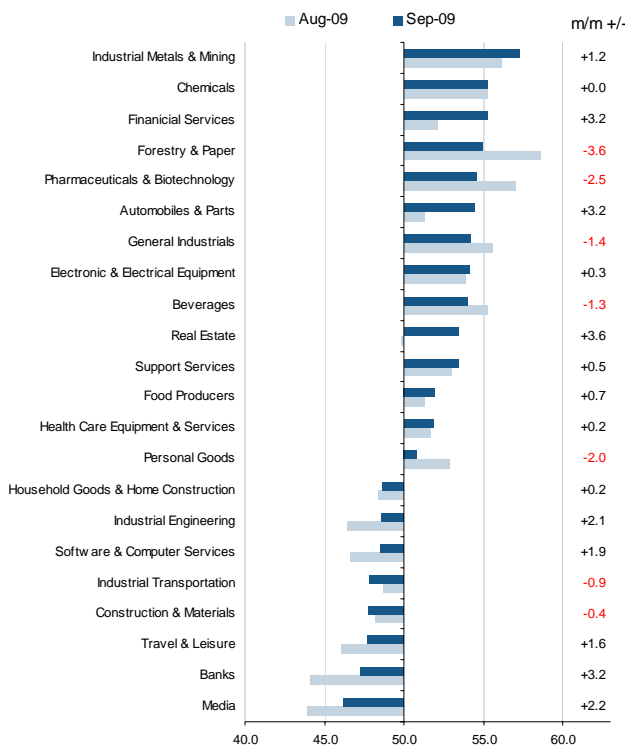
to growth, expanding at the fastest pace since August 2007.

At the more detailed “sector” tier, commodity-facing industries were joined by non-bank Financial Services and Pharmaceuticals & Bio-technology firms as the strongest performers in September. Industrial Metals & Mining posted the strongest overall rate of growth, followed by Chemicals, Financial Services and Forestry & Paper. Pharmaceuticals & Biotechnology and Automobiles & Parts made up the top six.

Of the fourteen sectors that posted growth of activity in September, eight saw the rate of expansion accelerate. Meanwhile, of the eight sectors that posted falls in activity, six saw their rates of decline moderate during the month.

For the second month running in September, Media posted the steepest drop in business activity. It was followed by Banks and Travel & Leisure, although all three registered slower rates of decline than in August.

Chart 2: Output/Activity Index, sector tier

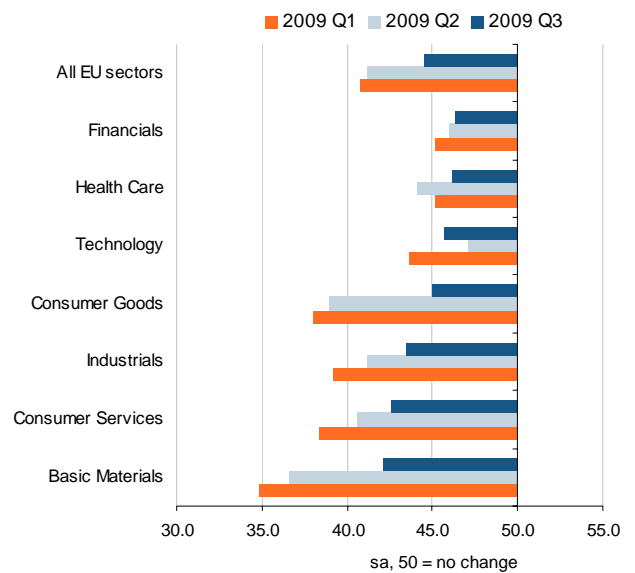


Employment trends

The overall rate of job shedding across the EU private sector accelerated slightly in September. However, PMI data over the third quarter as a whole signalled a weaker pace of decline. Sector data at the industry tier show that all industries posted slower falls in employment in Q3 than in the previous two quarters (except for Technology, where Q3 saw a steeper fall than Q2).

Financials posted the weakest rate of job shedding, and Basic Materials the fastest.

Chart 3: Employment Index, industry tier



EU sector data are released on the fifth working day of each month. October data will be available on 6 November. For more information please contact economics@markit.com.

Trevor Balchin

Economist

Markit

Tel: +44 1491 461 065

Email: trevor.balchin@markit.com

For further information, please visit www.markit.com

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