

European Union

Autos production rose further in August

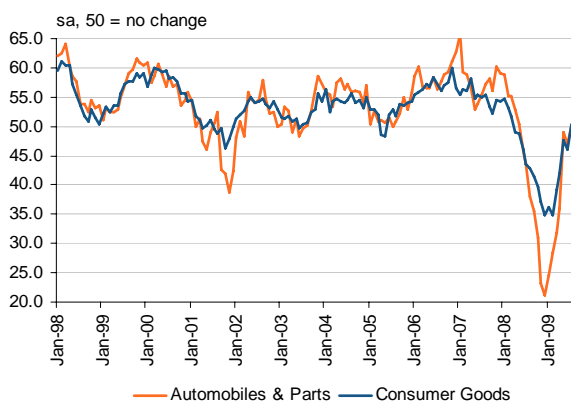
Key findings

- **Output and new orders both rose for second month running.**
- **Automobiles & Parts rebounded more rapidly than other sectors.**

Detailed EU sector PMI data signalled that the rebound in business conditions at makers of autos & parts continued in August. The Output Index posted 51.2 as production was raised in response to improved demand for cars resulting from the scrappage incentives. New orders rose for the second month running, and at the fastest pace since January 2008.

The improvement in the Output Index from its recent low was the second-best of all EU sectors covered with the exception of Industrial Metals & Mining, suggesting that government scrapping incentives have succeeded in boosting sales. To put the latest data in context, the Output Index had slumped to 21.2 in December, the lowest figure of any sector ever recorded since PMI sector data were first available in January 1998.

Chart 1: Output Index



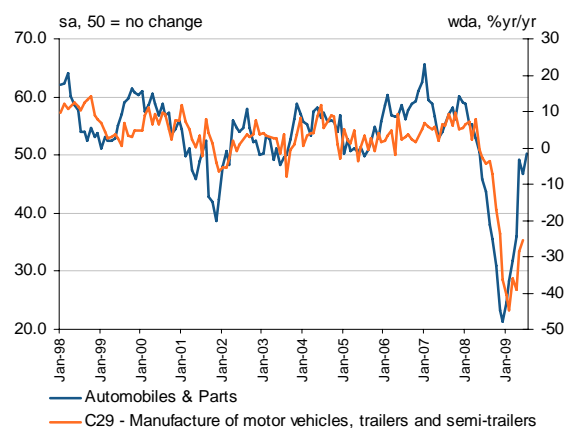
The chart above illustrates the severity of the downturn in autos relative to the wider EU consumer goods industry – which also includes producers of food & drink and personal, household & leisure goods – and the subsequent rebound. Based on annual value

added data from Eurostat, the autos & parts sector accounts for around 29% of the consumer goods industry.

PMI points to slower annual decline in car production in Q3

Chart 2 tracks the PMI Output Index for the EU Automobiles & Parts sector against comparable official statistics from Eurostat. The latest available official data for June showed a steep 25.5% 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 (see over). Though marked, the latest rate of decline was the slowest in seven months. As the chart shows, 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



The above chart also suggest that PMI data for the first two months of Q3 are consistent with the annual rate of decline easing to single figures. Over the series history, the Output Index has a correlation with the annual rate of change in autos production of 0.79, though note that this improves to **0.89** 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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