

# European Union

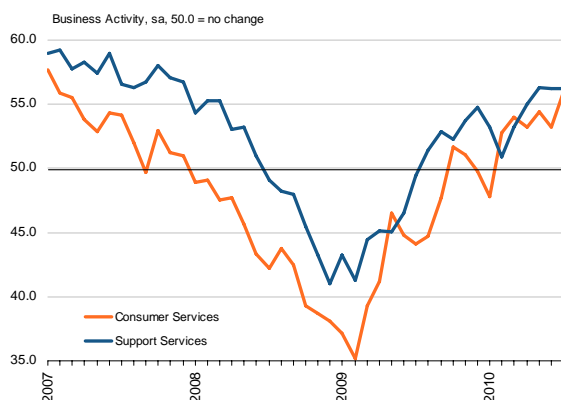
## European consumer services show fresh impetus in July

- Detailed sector PMIs showed consumer-facing sectors moving up growth rankings.
- High-tech manufacturers continued to post fastest overall growth rates.
- Sustained consumer upturn critical for fully fledged economic recovery.

PMI data covering 22 sectors across the European Union showed a broad-based rise in activity in July, continuing the robust trend seen throughout Q2. Although the PMI data signal a growing disparity in national growth trends within the European Union, with Germany, France and the UK still outperforming other Eurozone economies<sup>1</sup>, the detailed sector data for the region as a whole suggest that growth rates are converging across industries. If sustained, this trend should help secure the European recovery in Q3.

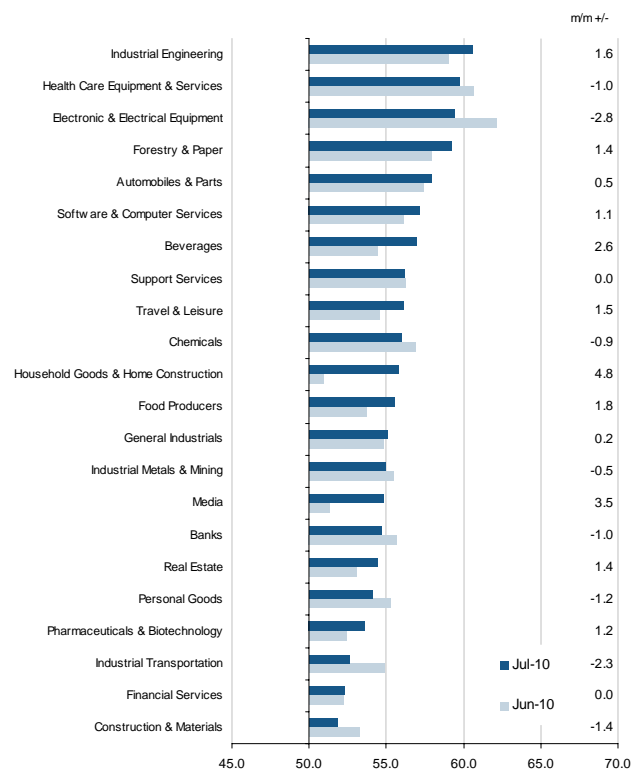
Having lagged well behind business-facing sectors and export-driven manufacturers last year, consumer-leaning areas started to record more solid rates of expansion in July. This is well illustrated by activity in consumer services<sup>2</sup> rising at a broadly similar rate to support services.

### Services



Source: Markit.

### EU sectors, output/business activity



Looking more closely at the sector Output Index rankings, consumer-oriented areas generally improved their relative positions in the growth rankings in July. Having seen only one consumer-facing sector in the top half of the table in June, four were present in July, as Automobiles & Parts was joined by Beverages, Travel & Leisure and Household Goods & Home Construction.

Moreover, of the six largest month-on-month increases in the sector output indexes in July, five were recorded in consumer-oriented areas, led by Household Goods & Home Construction. In contrast, the three steepest slowdowns in growth were all in business-facing sectors (Electronic & Electrical Equipment, Industrial Transportation and Construction & Materials).

However, it was high-tech manufacturers that continued to post the fastest rates of expansion in July.

<sup>1</sup> <http://www.markiteconomics.com/MarkitFiles/Pages/ViewPressRelease.aspx?ID=6840>  
<sup>2</sup> Consumer Services comprises the Media and Travel & Leisure sectors.

The top five places in the growth table were all occupied by the same sectors as in June, with Industrial Engineering recording the fastest overall expansion in July. These sectors have also seen some of the steepest rebounds from one year earlier.

The weakest performing sector in July was Construction & Materials, partly reflecting a sharp slowdown in growth of UK construction activity (reversing strong gains in previous months). Financial Services and Industrial Transportation also saw relatively weak rates of expansion.

**Table 1: Output/Activity Index**

vs June 2010		vs July 2009	
<b>Top</b>			
Household Goods & Home Construction	+4.8	Industrial Metals & Mining	+37.5
Media	+3.5	Automobiles & Parts	+31.1
Beverages	+2.6	Industrial Engineering	+31.0
Food Producers	+1.8	Electronic & Electrical Equipment	+29.0
Industrial Engineering	+1.6	Forestry & Paper	+24.6
Travel & Leisure	+1.5	Industrial Transportation	+20.9
<b>Bottom</b>			
Health Care Equipment & Services	-1.0	Media	+12.0
Banks	-1.0	Pharmaceuticals & Biotechnology	+11.9
Personal Goods	-1.2	Health Care Equipment & Services	+9.8
Construction & Materials	-1.4	Support Services	+8.8
Industrial Transportation	-2.3	Food Producers	+8.4
Electronic & Electrical Equipment	-2.8	Financial Services	+2.6

### Consumer recovery showing more promise

The latest sector data underline the importance attached to domestic consumer markets building on the foundations of the initial export-driven manufacturing resurgence. Following the recent upbeat Eurozone Retail PMI for July<sup>3</sup>, the relative improvement in consumer sectors signalled by the latest EU sector PMIs provides new evidence of stronger-than-previously-expected economic growth in Europe in Q3.

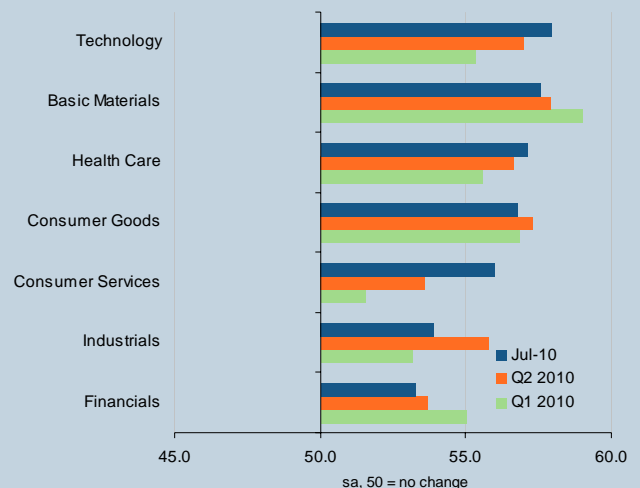
### Industries

EU PMI output data for manufacturing and services combined signposted an overall rate of expansion in July that was slightly weaker than the average for Q2, but stronger than in June.

Technology posted the fastest rate of output growth of all seven broad industry groups in July, closely followed by Basic Materials and Health Care. Financials posted the weakest rate of growth.

Having been bottom of the table in June, Consumer Services moved up to fifth position in the latest period, its highest since May 2009. Reflecting this, Consumer Services has posted the largest gain in the Activity Index of all major industry groups since the start of the year.

**Chart 3: EU industries, output/business activity**



	vs Jun 2010	vs Jan 2010
Consumer Services	+2.8	<b>+8.2</b>
Technology	+1.1	+5.1
Basic Materials	+0.9	+2.4
Health Care	-0.4	+2.3
Industrials	-1.2	+1.3
Consumer Goods	+1.0	-0.4
Financials	-0.2	-1.9

<sup>3</sup> <http://www.markiteconomics.com/MarkitFiles/Pages/ViewPressRelease.aspx?ID=6781>

## Notes on data and forthcoming releases

EU sector data are derived from the same national manufacturing, services and construction panels used for the PMI surveys, which together cover around 6,000 private sector companies. The sector data also track new and outstanding business, price trends, purchasing, stocks and supplier performance, and are released on the fifth working day of each month. August data will be available on 7 September.

The Eurozone Retail PMI is based on representative panels of retailers based in Germany, France and Italy, totalling around 1,000 retailers. August data will be available on 30 August.

For more information, please contact [economics@markit.com](mailto:economics@markit.com).

### Markit EU Sector PMIs

Industry	Supersector	Sector
1000 Basic Materials	1300 Chemicals	1350 Chemicals
	1700 Basic Resources	1730 Forestry & Paper
		1750 Industrial Metals & Mining 1770 Mining*
2000 Industrials	2300 Construction & Materials 2700 Industrial Goods & Services	2350 Construction & Materials
		2710 Aerospace & Defence*
	2720 General Industrials	
	2730 Electronic & Electrical Equipment	
	2750 Industrial Engineering	
	2770 Industrial Transportation	
	2790 Support Services	
3000 Consumer Goods	3300 Automobiles & Parts 3500 Food & Beverage	3350 Automobiles & Parts
		3530 Beverages
	3700 Personal & Household Goods	3570 Food Producers
		3720 Household Goods & Home Construction
		3740 Leisure Goods* 3760 Personal Goods 3780 Tobacco*
4000 Health Care	4500 Health Care	4530 Health Care Equipment & Services
		4570 Pharmaceuticals & Biotechnology
5000 Consumer Services**	5500 Media	5550 Media
	5700 Travel & Leisure	5750 Travel & Leisure
8000 Financials	8300 Banks	8350 Banks
	8500 Insurance*	
	8600 Real Estate	
	8700 Financial Services	8770 Financial Services
9000 Technology	9500 Technology	9530 Software & Computer Services
		9570 Technology Hardware & Equipment*

\*not currently published at sector/supersector level but included at supersector/industry level.

\*\*excludes 5300 Retail

## Trevor Balchin

### Senior Economist

Markit

Tel: +44 1491 461 065

Email: [trevor.balchin@markit.com](mailto: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.