

European Union

Sharp slowdown in growth led by manufacturers

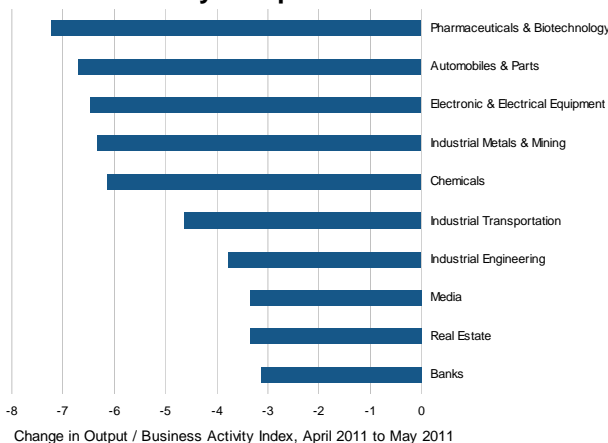
- Rates of expansion slow sharply in metals, chemicals, electronics and autos sectors.
- Eight out of 22 sectors saw new orders fall.
- Input price inflation eased in 16 sectors.

European Union *PMI™* detailed sector data signalled a widespread slowdown in output growth in May. Out of 22 sectors covered, 14 registered weaker growth rates, while three posted outright declines in business activity compared with the previous month. The latest data also signalled a further widespread moderation in cost pressures.

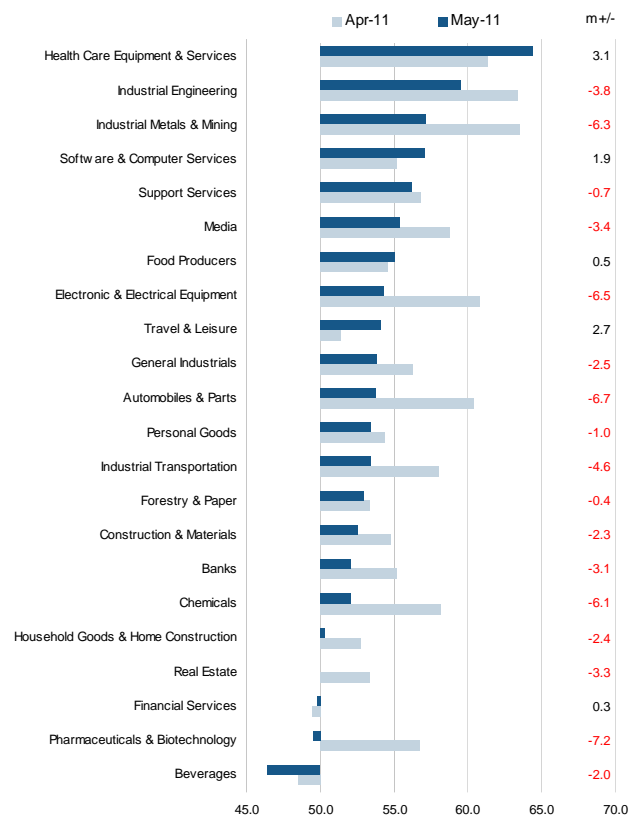
Manufacturing sectors registered notably sharp deteriorations in output growth in the latest period. These included, among others, pharmaceuticals & biotechnology, automobiles & parts, electronic & electrical equipment and industrial metals & mining.

The slowest overall growth was posted in household goods & home construction. Three sectors recorded declining activity, namely beverages, pharmaceuticals & biotechnology and financial services.

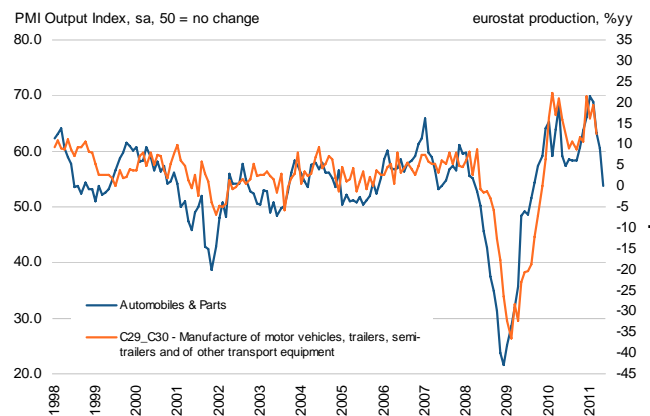
Sectors ranked by sharpest slowdown



EU sectors: Output Index, May 2011



Automobiles & Parts



The EU autos sector posted one of the steepest slowdowns in growth of all areas covered in May. Having been the fastest-growing sector during the first two months of the year, it ranked 11th in the league

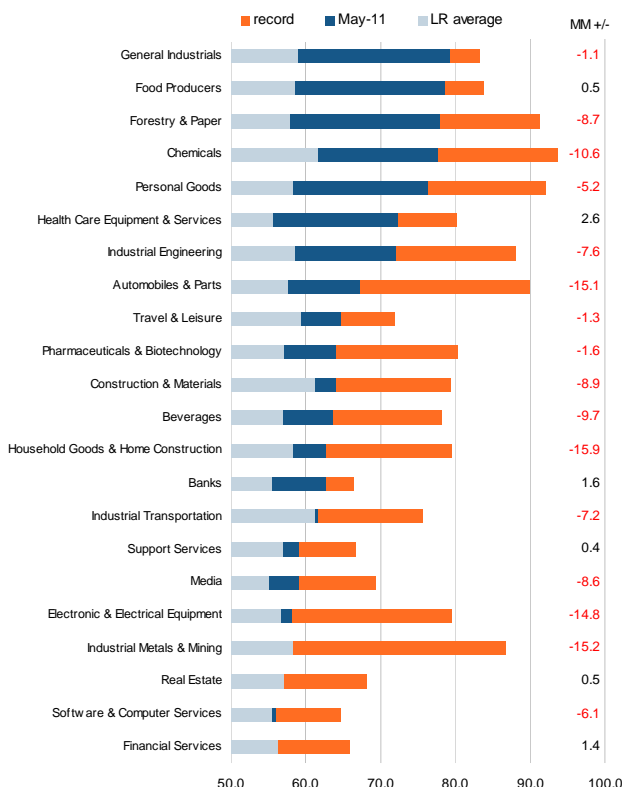
table in the latest period. The rate of output growth slowed to the weakest since August 2009, and was consistent with a flat year-on-year trend in official statistics (as recorded by Eurostat). Moreover, the volume of new orders fell marginally in May, suggesting a further slowdown or stagnation in output in the coming months.

Price pressures eased further

The overall rate of input price inflation across the EU manufacturing and services economy eased to a six-month low in May. Moreover, the extent of the slowdown (as signalled by the month-on-month movement in the Input Prices Index) was the largest since December 2008.

In May, 16 out of 22 sectors recorded slower rates of cost inflation. The sectors posting the steepest falls in the Input Prices Index compared with April were household goods & home construction, industrial metals & mining, automobiles & parts and electronic & electrical equipment. Financial services and software & computer services posted the weakest overall rates of input cost inflation. That said, most sectors continued to record above-par increases in input prices during the month – the Input Prices Index was above its long-run average over the series history (since January 1998) in 19 out of 22 sectors.

Input Prices Index, May 2011



New orders fell in eight sectors

New orders data for May confirmed the softening trend in market conditions across the EU private sector. While only three sectors posted falling activity, eight recorded declines in incoming new work. Of the remaining 14 sectors, new business growth slowed in nine, with four manufacturing sectors posting particularly sharp deceleration – electronic & electrical equipment, industrial metals & mining, industrial engineering and chemicals.

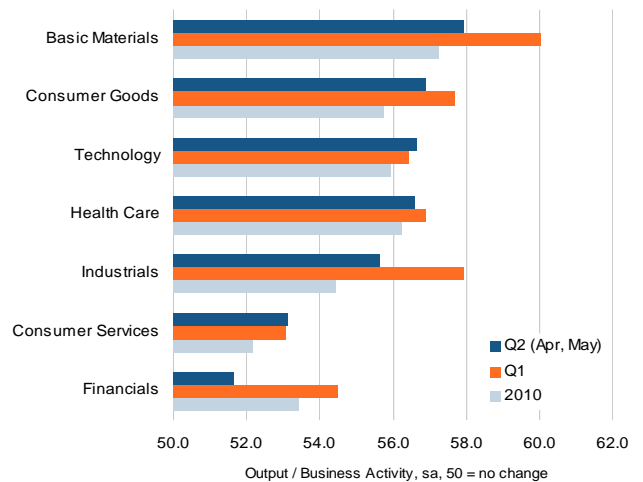
New Orders / New Business Index	May '11
Household Goods & Home Construction	46.9
Beverages	47.4
Forestry & Paper	49.0
Construction & Materials	49.1
Real Estate	49.2
Pharmaceuticals & Biotechnology	49.5
Financial Services	49.7
Automobiles & Parts	49.9

sa, 50 = no change on previous month

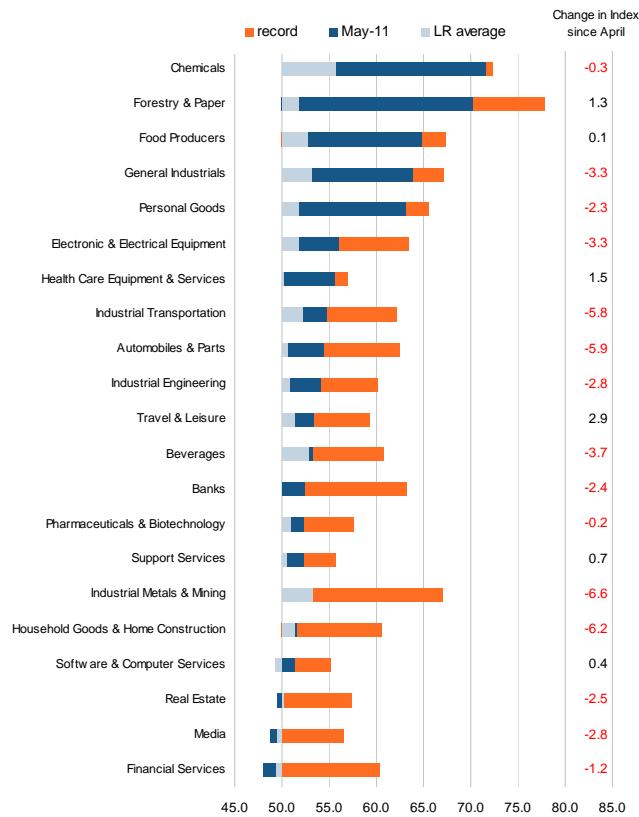
As a result of weaker cost pressures and new order inflows, many sectors recorded softer increases in prices charged for goods and services. Three sectors posted declining output prices (financial services, media, real estate), while the rate of output price inflation slowed in 11 further sectors.

Although many sectors showed slower growth in May, data for Q2 so far show all main industry groups except for financials still posting stronger growth than the trend levels shown for 2010. On a less positive note, growth looks set to trend even further downwards given the data on new business flows.

EU industries: Output / Business Activity Index



Output Prices Index, May 2011



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 sectors are classified according to the **FTSE / Dow Jones Industry Classification Benchmark (ICB)**. The sector data track output, new and outstanding business, price trends, purchasing, stocks and supplier performance, and are released on the fifth working day of each month. June data will be available on 7 July. For more information, please contact 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	2350 Construction & Materials
		2700 Industrial Goods & Services
		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	3350 Automobiles & Parts
		3500 Food & Beverage
		3530 Beverages
		3570 Food Producers
	3700 Personal & Household Goods	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
	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
 ***excludes 4533 Health Care Providers

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