

# European Union

## Recovery broadening across industries, but price pressures surge

- **Widespread strengthening of growth**
- **Ten sectors posted record rates of input price inflation, led by chemicals**
- **Prices charged rose at record rates in seven sectors**

The latest European Union sector data signalled that manufacturers continued to lead the recovery, but many other sectors saw faster growth – notably construction and finance. However, with many sectors posting record rates of input price inflation in February, the need to pass rising cost burdens on to customers meant selling prices rose at record rates in seven of the 22 sectors covered by the surveys.

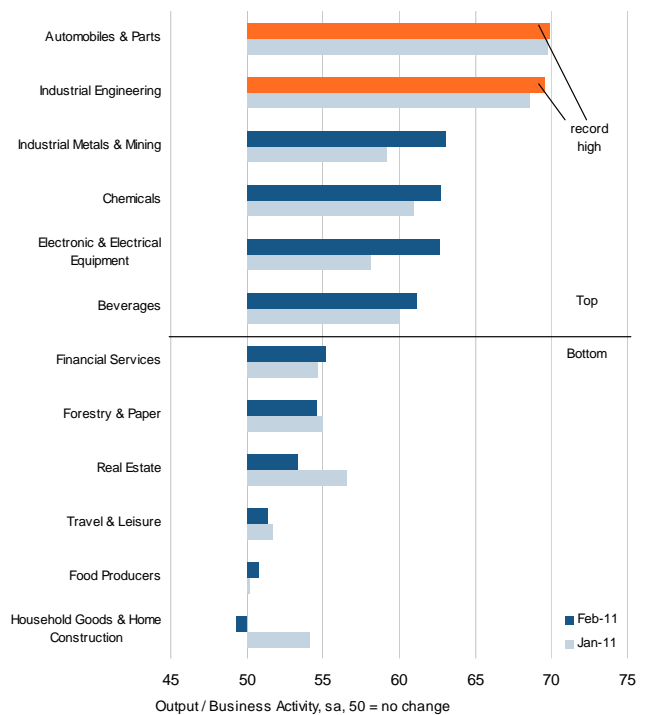
### Autos and engineering firms still leading

The latest batch of detailed EU sector PMI data from Markit showed a further acceleration of growth rates across many industry sectors mid-way through the first quarter. Twenty-one out of 22 sectors recorded growth of business activity. That was one less than January's universal expansion but, for the fourth successive month, more sectors posted faster growth than those where activity either slowed or fell outright.

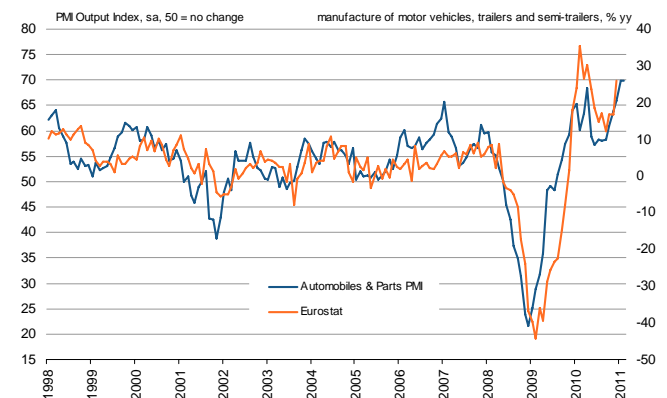
Eight of the top-ten ranked sectors in February were manufacturers. The fastest overall rate of growth was again recorded in **automobiles & parts**, which has been the number one sector three times in the past four months. Moreover, February's rate of growth was the fastest since the series started in January 1998. **Industrial engineering** followed in second place, also posting a series-record increase, and has now been in the top-two for the past eight months. **Industrial metals & mining** and **chemicals** were third- and fourth- placed, indicative of strong commodity-related demand.

The best-performing service sector remained **software & computer services**, in tenth. **Construction & materials** posted a series-record rate of output growth and was eighth overall.

### EU sectors: winners and losers



### Automobiles & Parts



The broad **financials** industry, comprising banks, financial services, real estate and insurance, registered the fastest growth of activity for a year in February. This was driven by **banks**, where activity grew at the strongest rate since July 2007.

The only sector to record falling output in February was **household goods & home construction**. This,

combined with a weak rate of expansion in **travel & leisure**, signalled that underlying consumer demand remained fragile. This follows on from the latest Markit Retail PMI survey findings for the Eurozone, which signalled a stagnation in sales during February<sup>1</sup>.

### Record price pressures in many sectors

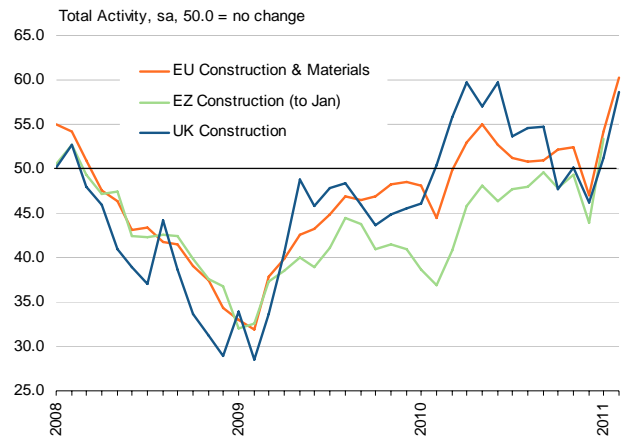
The intensification of inflationary pressures was again a key theme in February. Ten sectors posted record increases in average input prices, while seven signalled a record increase in output prices. This will provide further ammunition to calls for rate hikes at the ECB<sup>2</sup> and Bank of England.

The overall rate of input price inflation in the EU private sector was the highest since July 2008 in the latest period (and the fourth-highest since the series began in July 1998). At the detailed sector level, all areas registered higher average input prices in February. The rate of input price inflation accelerated in 17 cases, and ten sectors registered series-record rates of inflation.

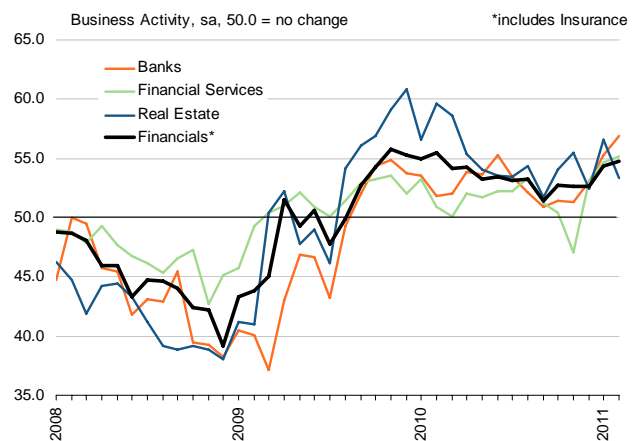
The highest increases were all seen in manufacturing, in areas heavily exposed to oil and commodity prices such as chemicals, engineering, autos, metals and food producers. The weakest increases in input prices were generally registered in finance-related areas and business services.

There was much evidence of second-round inflationary pressures in February, as output prices across the EU private sector as a whole rose at the strongest rate since July 2008. All sectors registered higher charges<sup>3</sup> except for media, and seven registered record rates. These included chemicals, industrial metals & mining, personal goods, general industrials, automobiles & parts, electronic & electrical equipment and pharmaceuticals & biotechnology.

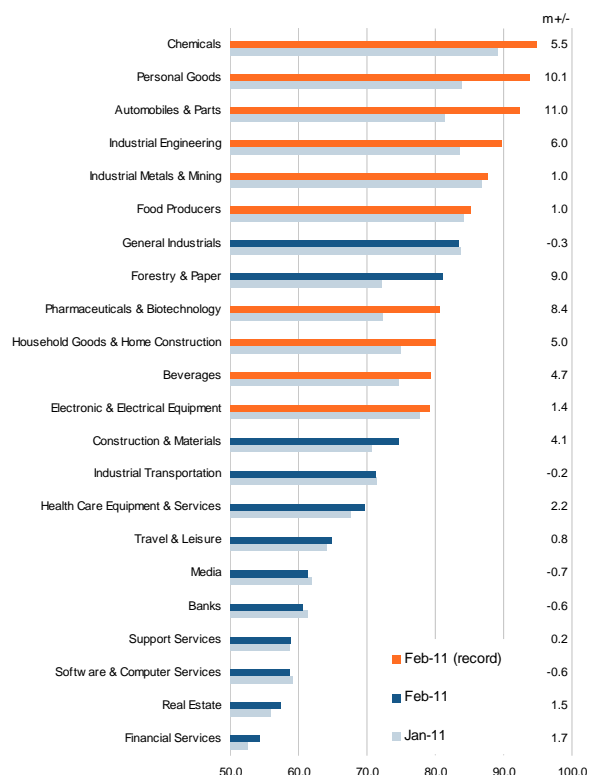
### Construction



### Financials

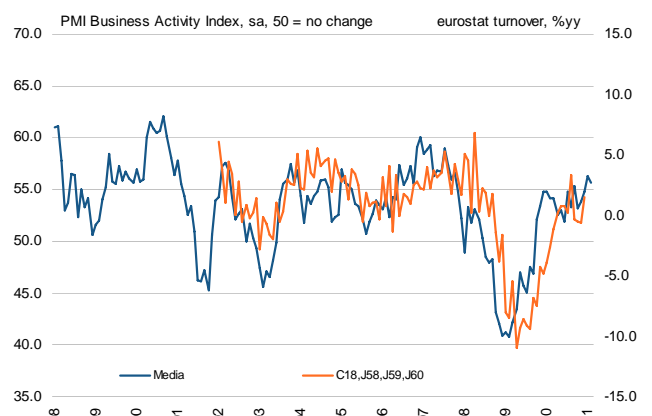
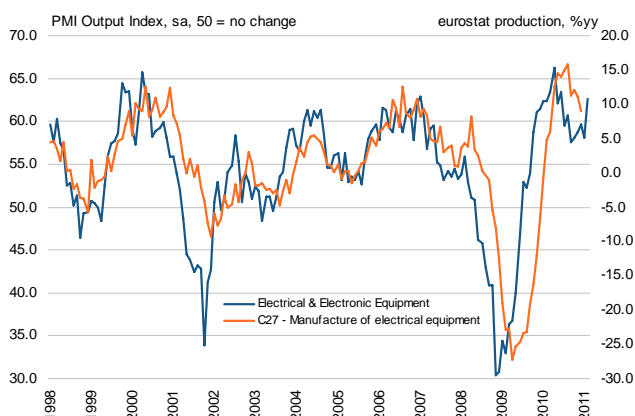
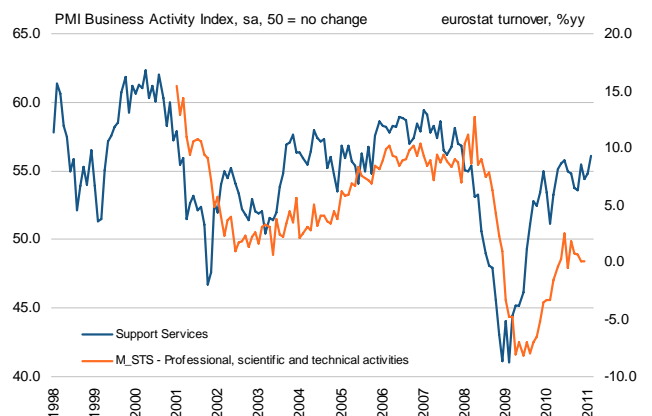
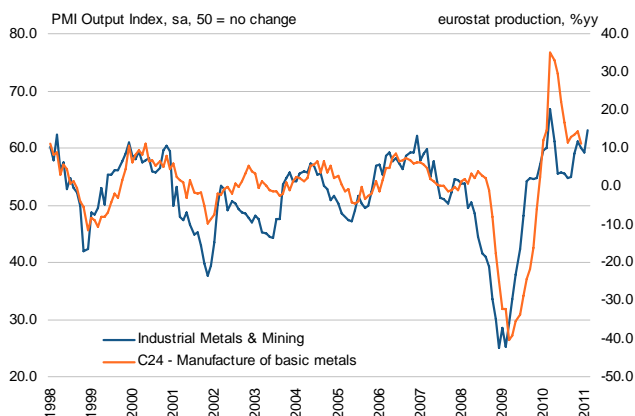
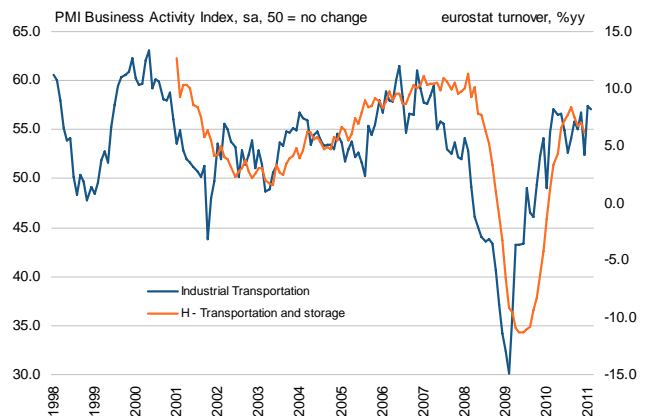
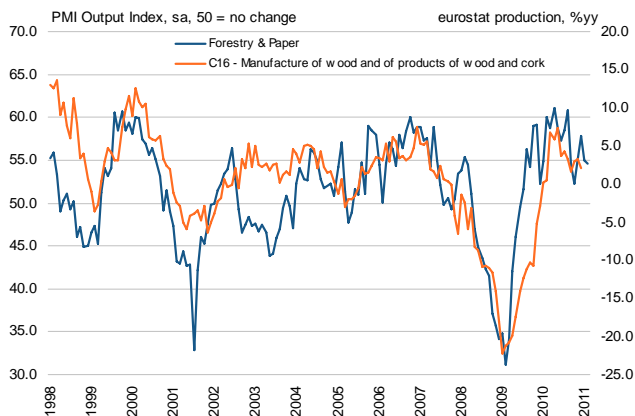
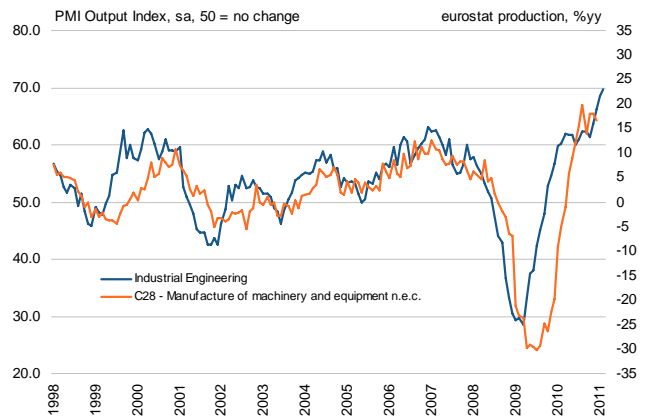
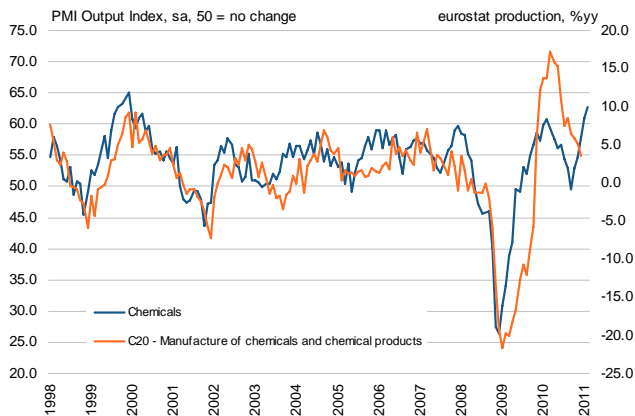


### Input Prices Index

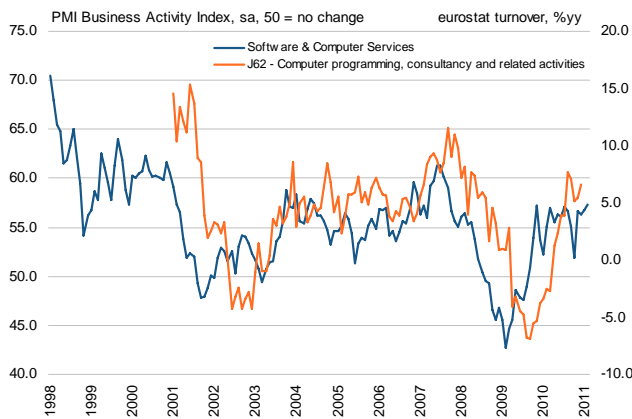


<sup>1</sup> www.markiteconomics.com/MarkitFiles/Pages/ViewPressRelease.aspx?ID=7678  
<sup>2</sup> http://www.markit.com/assets/en/docs/commentary/markit-economics/2011/mar/eurozone\_policy\_11\_03\_03.pdf  
<sup>3</sup> Output prices data not available for Construction & Materials

## Selected sectors v. official data



C18 - Printing and reproduction of recorded media, J58 - Publishing activities, J59 - Motion picture, video and television programme production, sound recording and music publishing activities, J60 - Programming and broadcasting activities



### 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. February data will be available on 7 April. For more information, please contact [economics@markit.com](mailto:economics@markit.com).

#### Markit EU Sector PMIs

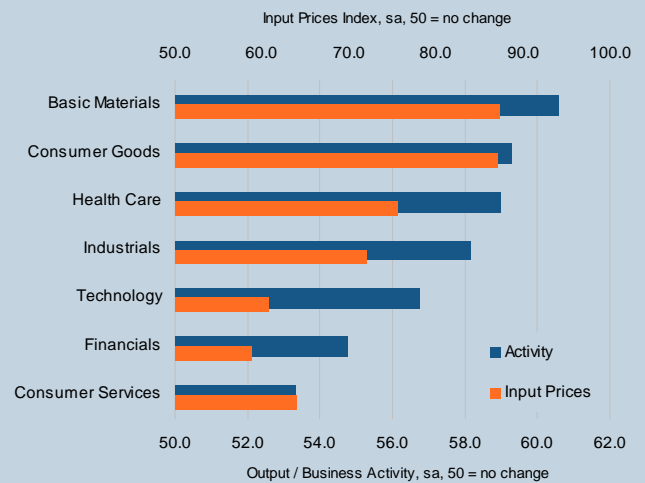
| Industry                 | Supersector   | Sector   |
|--------------------------|---|--|
| 1000 Basic Materials     | 1300 Chemicals<br>1700 Basic Resources  | 1350 Chemicals<br>1730 Forestry & Paper<br>1750 Industrial Metals & Mining<br>1770 Mining*   |
| 2000 Industrials         | 2300 Construction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

### Industries

**Basic materials** showed the fastest rate of output growth in February, reflecting sharp increases in chemicals and metals production. **Consumer goods** was the next best performing industry, with another rapid increase in autos production and improving momentum in beverages and personal goods.

**Consumer services**, however, was the slowest growing industry group, based on relatively weak expansion in both travel & leisure and media. Meanwhile, **financials** saw the fastest rise in activity since February 2010, and the weakest inflationary pressure on input costs of all industry groups.



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