

Europe

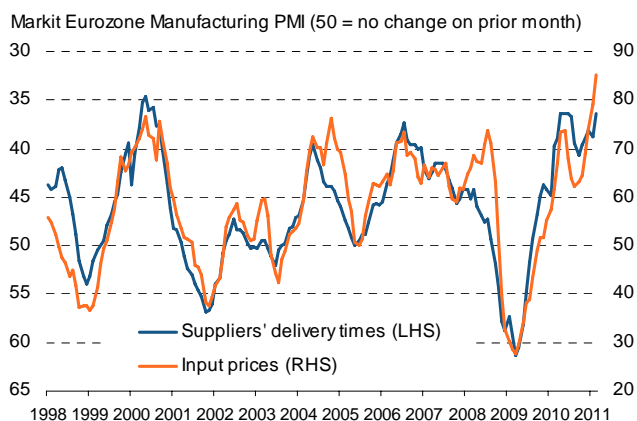
Japan crisis set to hit already stretched supply chains, with record delays already reported by EU auto makers in February.

The Japanese disaster has raised concerns about global supply chains, especially in relation to shortages of auto parts and electronic components. PMI survey data show that these anticipated delays are set to exacerbate an already serious situation in Europe, where purchasing managers reported near-record supply chain delays in February, even before the earthquake and tsunami struck. European auto manufacturers have been especially hard hit, reporting suppliers' delivery times to have lengthened to the greatest extent in at least 13 years as demand exceeded supply.

Supply delays in Europe near record highs

European supply chains were subject to a near-record incidence of delays even before the earthquake struck Japan on 11 March. Markit's Eurozone PMI showed that manufacturers reported supplier performance to have deteriorated at a rate equal to the ten-year peak seen during the global growth spurt in the second quarter of last year. A combination of resurgent global economic growth in early-2011 and the restocking of warehouses by producers has put increased pressure on suppliers, who are struggling to keep pace with demand.

Eurozone PMI suppliers' delivery times and prices

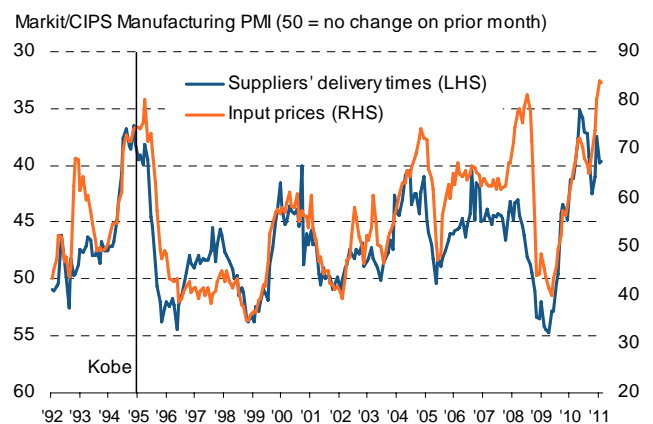


The delays have enabled many suppliers to hike prices as demand outstrips supply, exacerbating the impact of already high oil and food prices. Illustrating this, the

Eurozone PMI's Input Prices Index hit an all-time high in February. A similar situation is evident in the UK, where the Markit/CIPS PMI survey showed the largest monthly jump in input prices since the survey began in 1992.

The UK survey extends back further than the Eurozone PMI and, as such, encompasses the Kobe earthquake of January 1995. Like today, the Kobe quake occurred in an environment of widespread supply chain delays and rising prices. It is likely that the quake resulted in a further spike in raw material prices as a result of delays and concerns over the availability of supplies.

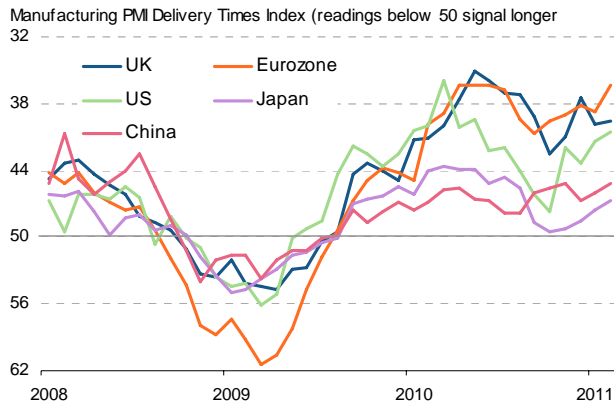
UK PMI suppliers' delivery times and prices



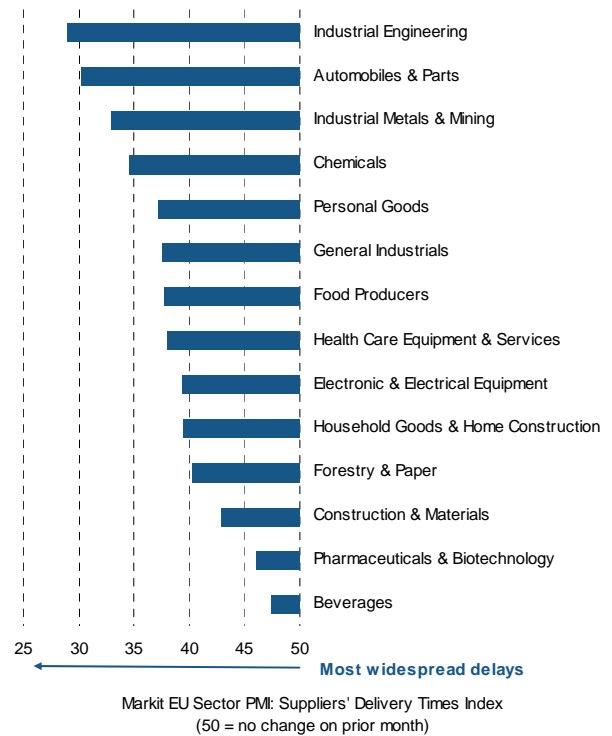
Of the 23 countries for which PMI survey data are available, German producers experienced the highest incidence of supply delays in February, followed by the Netherlands, Austria, France, the Czech Republic and the UK. In contrast, there was a relatively low incidence of delays in many emerging markets, especially in Asia. The lowest incidence of delays was seen in South Korea.

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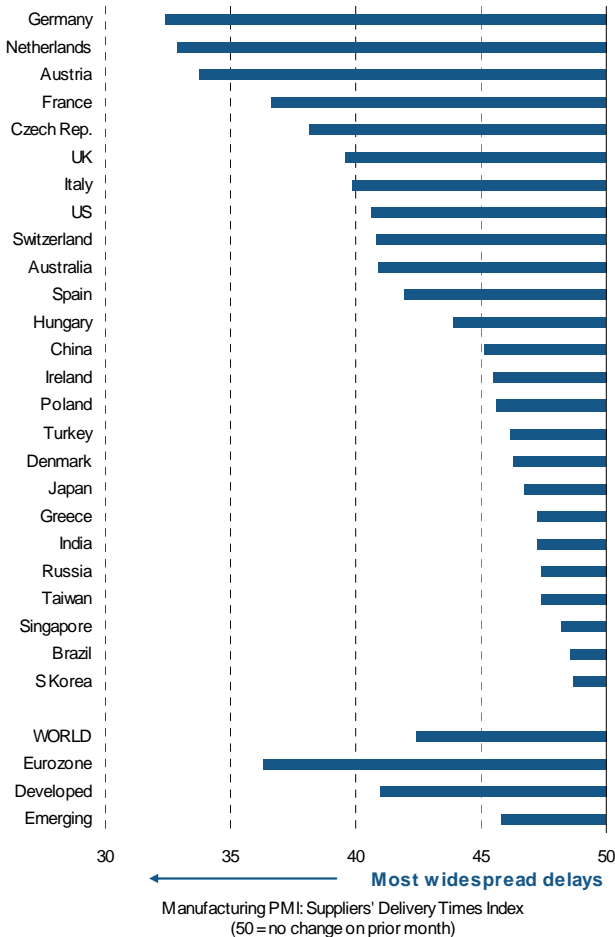
PMI Suppliers' Delivery Times Index



EU Sector PMI Delivery Times Index in February



PMI Suppliers' Delivery Times Index in February

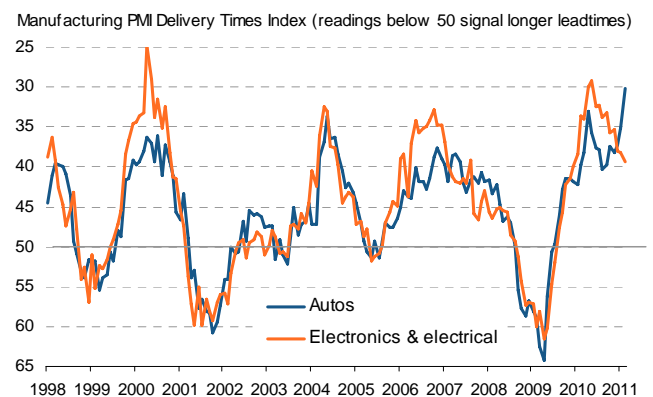


European auto manufacturing lead-times showed record lengthening in February

Markit's European Union PMI data show delivery delays by industry across the region. Industrial engineering companies had the most widespread delays in February, followed by autos & parts and industrial metals & mining. All three sectors recorded the greatest incidence of supply chain problems since EU sector PMI data were first available in January 1998.

While auto makers reported a record incidence of delays by some margin in February, supply chain pressures in electronic & electrical equipment – the other sector considered to be most at risk of supply chain delays due to the Japanese disaster – had been easing in recent months. Although continuing to lengthen, the incidence of reported delays had fallen gradually since last May's peak to reach a 14-month low. Sector PMI data for March will be published on 7 April, and will provide the first indication of supply chain developments for specific EU sectors following the crisis in Japan. Suppliers' delivery times data at the national level are due to be released on 1 April.

EU Sector PMIs



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