

European Union

All 22 sectors see ongoing growth in May, but rate slows in 14

Key findings

- EU PMI data showed all 22 sectors saw growth of activity in May.
- But 14 sectors saw slower pace of expansion, led by sharp slowing in **autos & parts**.
- **Financial services** and **consumer goods** producers among weakest performers.
- Signs of life build in **construction & materials**.
- Brighter outlook for consumer sectors as employment rises in 14 sectors.

Sector data showed slower growth across many sectors

May PMI data showed that growth of business activity in European Union countries remained strong on average, despite easing from April's 32-month high. The moderation emanated from manufacturing, as services recorded the fastest rise in activity since August 2007. That said, manufacturing continued to record stronger overall growth than services.

Detailed EU sector data showed growth of business activity across all 22 sectors for the second month running in May. However, 14 sectors saw slower rates of growth than in April. Reflecting the overall trend, 12 of these were engaged in manufacturing.

Autos & parts manufacturers saw the steepest easing of all sectors in May, the rate of increase slowing sharply from April's series-record pace. The data therefore signalled a further moderation in the official measure of autos production growth in Q2. Nevertheless, the sector still posted the fifth-fastest rise in output of all sectors covered by the PMIs in May.

Chart 1: EU sectors, output/business activity

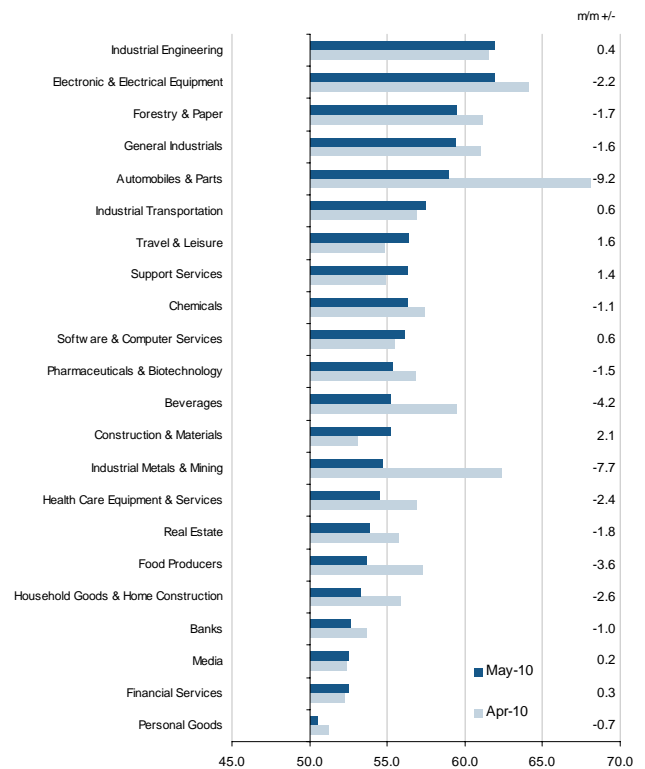
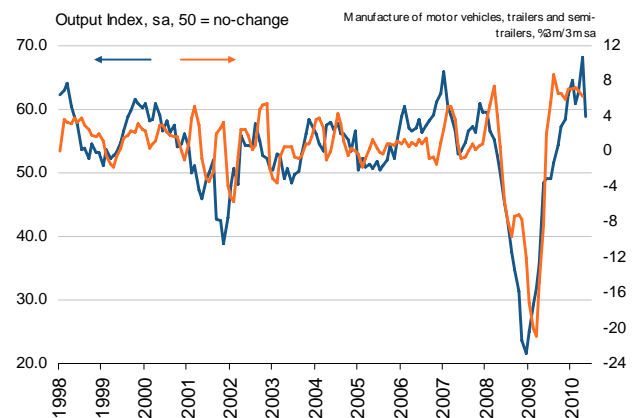


Chart 2: EU automobiles & parts output vs eurostat



Sources: Markit, Eurostat.

Business service providers and commodity producers lead growth table

Leading the growth table in May were **industrial engineering** and **electronic & electrical equipment**. Among the service sectors covered, business-facing areas tended to perform relatively well, including **industrial transportation** and **support services**. Meanwhile, **travel & leisure** showed little adverse effects on overall activity from ash-related disruption in Northern Europe. Other strong performers included **forestry & paper** and **chemicals**.

Consumer weakness persists

Consumer-oriented manufacturers and financial sectors were the worst performers in May. The weakest rise in output was signalled in **personal goods** (for the second month in a row), while **household goods**, **media** and **food producers** also posted relatively weak growth. **Financial services, banks** and **real estate** made up the bottom seven sectors and, at the industry level, financials was the worst-performing in May. This suggested that services activity may rise more slowly in the coming months, as the financials industry tends to lead growth of total service sector business activity.

The weak consumer trend indicated by the EU sector data chimed with Markit PMI data for the Eurozone **retail** sector¹. May data signalled a fifth successive monthly fall in Eurozone retail sales, albeit at the weakest rate seen in 2010 so far. Anecdotal evidence suggested that consumer caution persisted as the wider economic recovery remained uncertain, although a number of retailers expect the football World Cup to provide a temporary boost to demand.

Construction turns the corner?

Viewed together, the EU sector data covering manufacturing, services and retail suggest that manufacturers continue to lead the recovery, despite slower growth in May, while consumers remain a drag on growth. There are also signs that **construction** is turning the corner, as May data covering construction and producers of construction materials² posted the fastest rise in activity since June 2007.

¹ <http://www.markiteconomics.com/MarkitFiles/Pages/ViewPressRelease.aspx?ID=6527>

² Producers of materials used in the construction and refurbishment of buildings and structures, including cement and other aggregates, wooden beams and frames, paint, glass, roofing and flooring materials other than carpets. Includes producers of bathroom and kitchen fixtures, plumbing supplies and central air-conditioning and heating equipment. Excludes producers of raw lumber, which are classified under Forestry.

Higher employment may help boost consumer sectors

The latest PMI data also signalled that employment growth could support consumer demand in the months ahead. The combined EU manufacturing and services workforce rose for the second month running in May, with 14 of the 22 sectors achieving job creation in the latest period, up from 11 in April.

Chart 3: EU financials vs total services activity

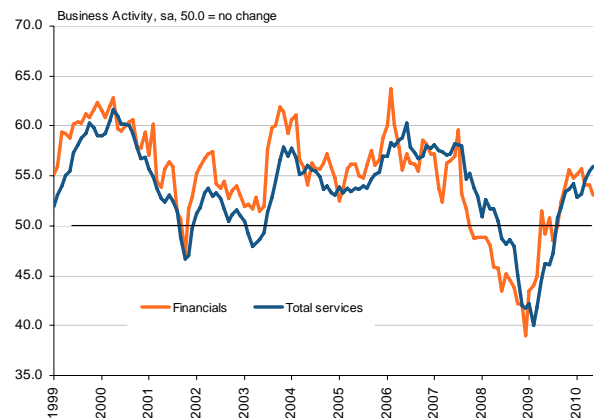


Chart 4: EU construction & materials activity

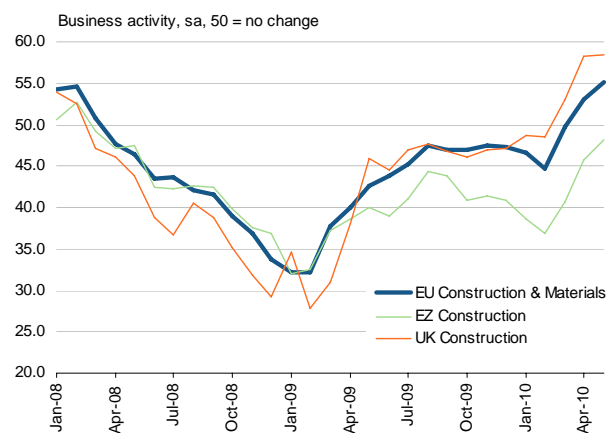
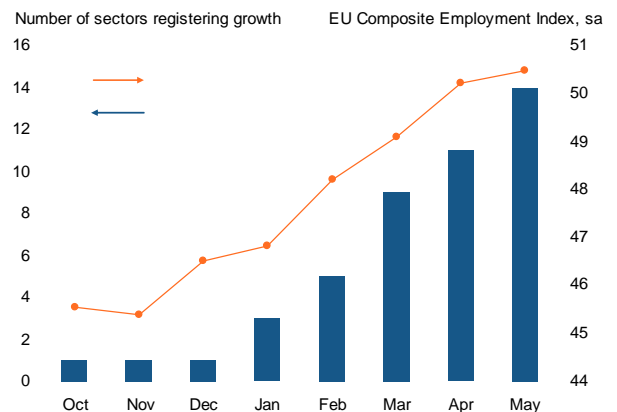


Chart 5: EU employment



Source: Markit.

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. June data will be available on 7 July.

The Eurozone Retail PMI is based on representative panels of retailers based in Germany, France and Italy, totalling around 1,000 retailers. June data will be available on 29 June. For more information, please contact economics@markit.com.

Markit EU Sector PMIs

Industry	Supersector	Sector
1000 Basic Materials	1300 Chemicals 1700 Basic Resources	1350 Chemicals 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 3700 Personal & Household Goods	3350 Automobiles & Parts 3530 Beverages 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 5700 Travel & Leisure	5550 Media 5750 Travel & Leisure
8000 Financials	8300 Banks 8500 Insurance* 8600 Real Estate 8700 Financial Services	8350 Banks 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

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