

European Union

Manufacturers drove EU output growth in April, as consumer services remained weak

Key findings

- Sector data underlined **manufacturing** role in export-led recovery.
- **Automobiles & parts** posted record output growth.
- **Construction & materials** registered rising activity for first time in over two years.
- But European **consumers** remained weak link, suggesting subdued domestic demand.

Manufacturers continued to lead output growth table

April EU PMI data showed the fastest overall growth of business activity since August 2007. By broad sector, manufacturing recorded the fastest rate of production growth in almost ten years, while services activity growth hit a 32-month high.

The top ten sectors in terms of output growth were in fact all manufacturers. The fastest rate of increase was posted in **automobiles & parts**, which was also a survey record. Aside from the commodity-facing heavy industries included in basic materials, other strong performers included **electrical & electronic equipment**, **industrial engineering** and **general industrials**.

Construction industry stabilising

Although Eurozone construction activity continued to fall in April, the rate of decline slowed to its weakest since May 2008. Meanwhile, UK construction activity rose at the fastest rate since September 2007. EU sector data covering both construction and producers of construction inputs¹ consequently showed the first monthly rise in business activity since March 2008.

¹ 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.

Chart 1: EU sectors, output/business activity

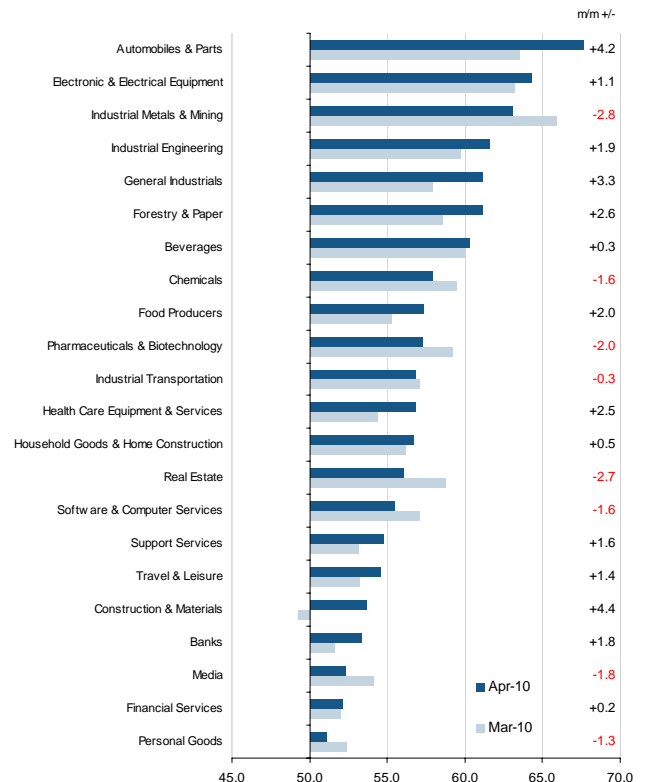
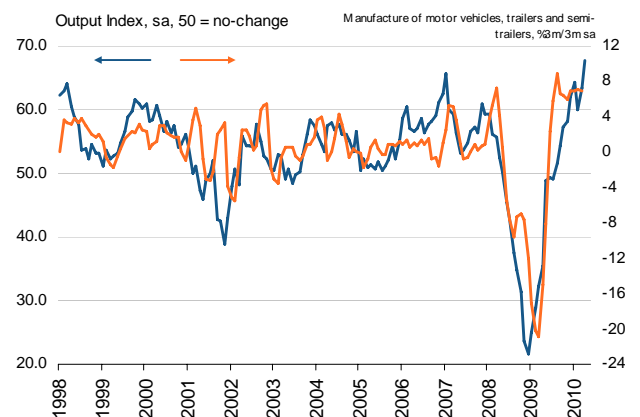


Chart 2: EU automobiles & parts output vs eurostat



Sources: Markit, Eurostat.

EU consumers remained weak link in recovery

The latest sector data betrayed consumer-oriented areas as being the main drag on overall recovery in April. Although **consumer goods** posted the second-fastest rate of output growth of all industry groups, this mainly reflected the ongoing rebound in autos and strong growth in the defensive-leaning **food & drink** sectors. The weakest rate of output growth of all sectors was in **personal goods**, while **consumer services** remained the worst performing broad industry group. This reflected relatively subdued growth in both **media** and **travel & leisure**. The latter sector could also be set to suffer from the effects of volcanic ash-related disruption to air travel in Northern Europe in the latter half of April and early May.

The weak consumer trend indicated by the EU sector data was reinforced by Markit PMI data for the Eurozone **retail** sector². April figures signalled falling sales for the fourth successive month, and revenues remained well down on a year ago. Germany and Italy remained the main sources of weak retail demand, while French retailers recorded only marginal growth in sales in April.

Viewed together, the EU sector data covering manufacturing, services, construction and retail suggest that manufacturers continue to lead the recovery, with growth geared toward exports helped by weak euro and sterling. Meanwhile, domestic consumers remain cautious, reflected in PMI data for retail, consumer services and personal goods producers in particular.

However, a return to employment growth should support consumer demand in the months ahead. The combined EU manufacturing and services workforce rose for the first time in almost two years in April, while the detailed sector data showed eleven areas achieving job creation in the latest period.

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. May data will be available on 7 June.

The Eurozone Retail PMI is based on representative panels of retailers based in Germany, France and Italy, totalling around 1,000 retailers. May data will be available on 28 May. For more information, please contact economics@markit.com.

Chart 3: EU construction & materials activity

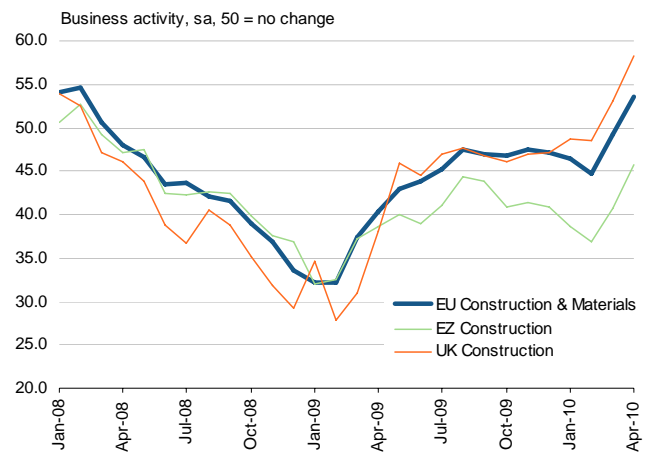
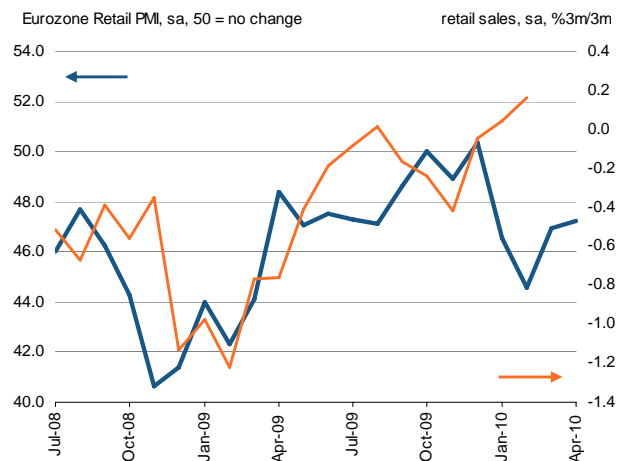


Chart 4: Eurozone Retail PMI, monthly sales vs eurostat



Sources: Markit, Eurostat.

² <http://www.markiteconomics.com/MarkitFiles/Pages/ViewPressRelease.aspx?ID=6382>

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	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

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