

European Union

Banking sector activity continues to slide

- **Banking activity declines for sixth month running**
- **Banks' future expectations weaken, boding ill for wider economic growth**
- **Output falling in most sectors**

European Union *PMI™* sector data signalled a contraction of the EU banking sector for the sixth month running in November.

Elsewhere across the EU's manufacturing and services economy, activity declined in all sectors except food and drink manufacturing, real estate and support services.

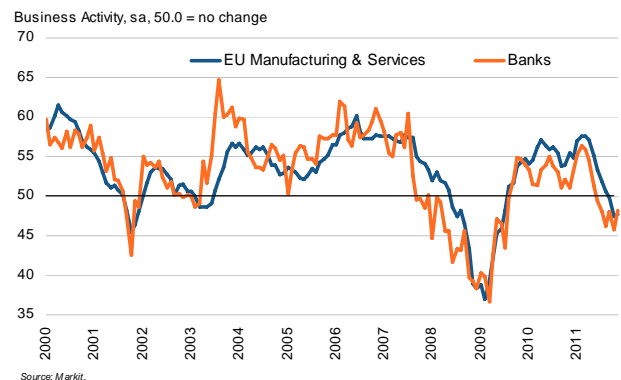
The rate of decline in the banking sector has yet to approach the pace seen following the collapse of Lehman Brothers in September 2008. The rate of decline even eased in November, but this improvement may prove temporary. A sharp fall in business expectations for the year ahead and a further decline in new business received during November suggests that the rate of contraction may accelerate again.

The Banks Business Expectations Index lost the ground it had recovered the previous two months, signalling a worsening degree of sentiment in the sector regarding the 12-month outlook. Excluding August's collapse, confidence is at its lowest point since February 2009.

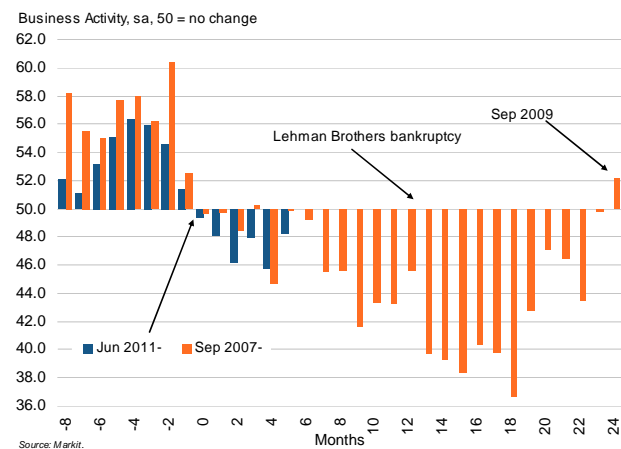
The weakening outlook for European banks partly reflects fresh concerns about the Italian debt situation at the end of October, which in turn led to a change of government. Expectations in the sector will undoubtedly remain very weak in the absence of a final resolution to the underlying euro debt crisis.

Moreover, the activity trend in the banking sector tends to lead that seen in the wider economy. So November's fall in banking activity – albeit at a weaker pace – suggests a further contraction in December across the private sector as a whole as a difficult year draws to a close.

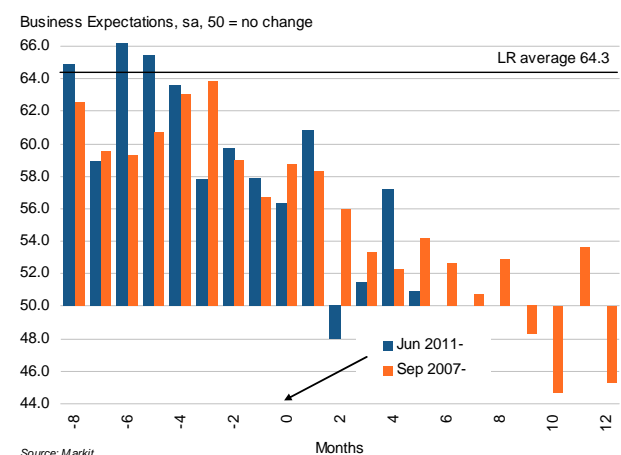
Banking performance provides clue to future growth trends



EU Banks Activity Index 2011 v 2007



EU Banks Business Expectations Index 2011 v 2007



Sector overview: November

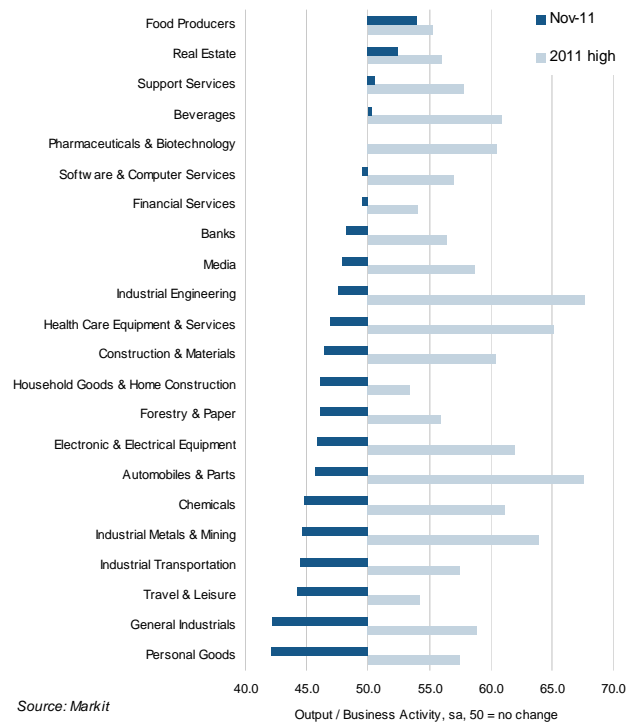
Banking is one of 22 industry sectors covered by EU PMI data, and is a constituent sector of the broader Financials PMI. The latter is based on responses from around 500 banks, real estate, insurance and financial services¹ companies in Germany, the UK, France, Italy, Spain and Ireland. These companies are drawn from the same survey panels that Markit uses to produce national service sector PMIs.

Just four sectors recorded growth of activity in November. Food producers registered the strongest expansion and, as a typical defensive sector, has seen the smallest fall in its Output Index of all sectors from its 2011 high so far. On the flip side, the steepest falls in output indices have been observed in highly cyclical manufacturing sectors, namely automobiles & parts, industrial engineering and industrial metals & mining. Autos and metals were among the worst performers in terms of the overall rate of decline in November, along with consumer-facing sectors such as personal goods and travel & leisure.

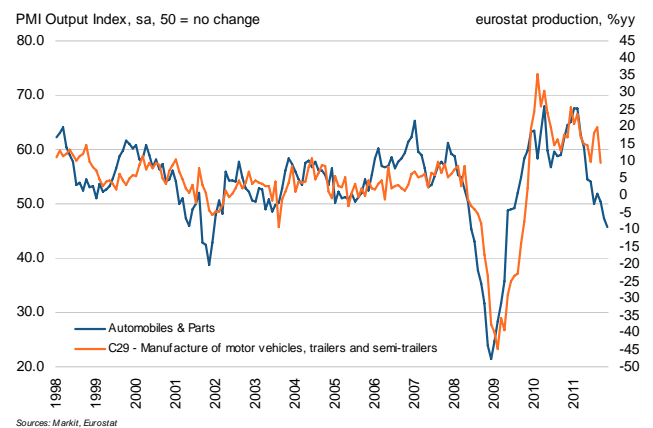
Notes on data and forthcoming releases

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. December data will be available on 9 January.

EU Sectors ranked by output growth in November



EU auto industries



¹ Includes asset managers, consumer finance, speciality finance, investment services, mortgage finance.

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