

European Union

EU banking activity declines further in July

- **Sharpest fall in activity in two years**
- **Growth returns in real estate and non-bank financial services**
- **Outlook at banks improves since June**

European Union *PMI*TM sector data, based on the FTSE/Dow Jones Industry Classification Benchmark (ICB)¹, signalled a further decline in business activity at EU banks in July. Moreover, out of 22 sectors covered by PMI data, banks was the third-worst performing in the latest period.

Banks is a constituent sector of the broad financials industry, one of seven industry groups covered by sector PMI data. The EU Financials PMI is based on responses from around 500 banks, real estate, insurance and financial services² 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.

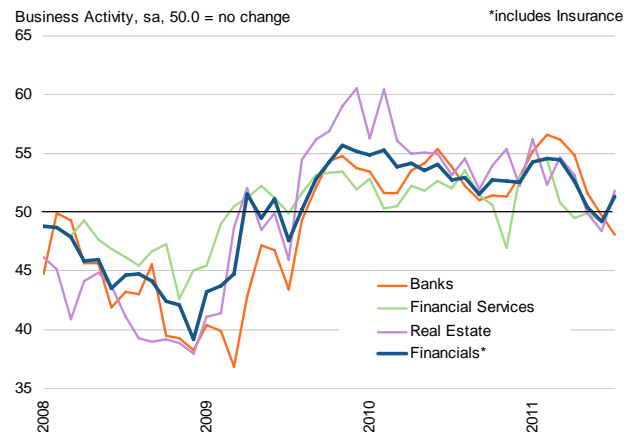
The fall in banking activity contrasted with renewed growth elsewhere in the broad financials sector, including real estate and non-bank financial services. Moreover, of all sectors covered, these were the only ones bar software & computer services to see a rise in their respective activity indices since June. Overall, 11 sectors posted growth, led by software & computer services and industrial engineering. The fastest declines were seen in forestry & paper and chemicals.

Subsequently, financials was one of only two broad industries to register a rise in its Activity Index in July (the other was technology). The remaining industry groups all posted weaker growth, or an outright decline in the case of basic materials³. That said, the rate of expansion in financials was weaker than the EU all-sector average during July.

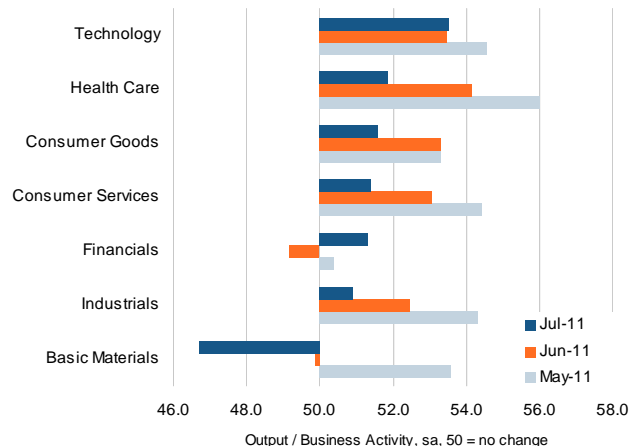
Focusing on the sectors that make up the financials industry, a similar trend was seen for new business inflows as for total activity. New business at banks declined for the second month running, and at the fastest rate since August 2009. Meanwhile, new contracts in real estate and financial services rose at the fastest rates in six and four months respectively.

Banks continued to register falling employment in July, extending the current sequence of job shedding to seven months. There was a bright point from the latest data, however, as business expectations at banks regarding the next twelve months improved to the strongest since February.

Financials: related sectors



Financials contrasts with wider slowdown

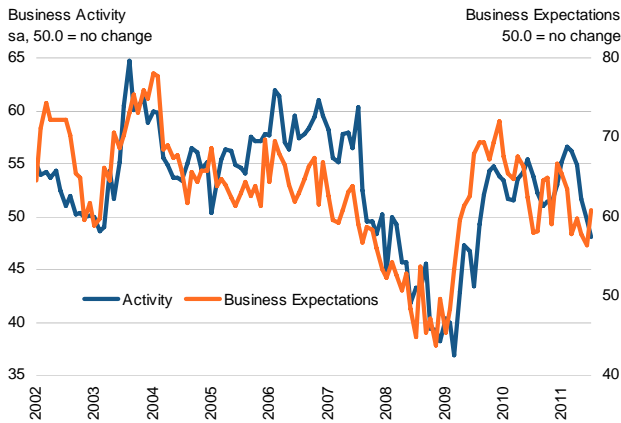


¹ <http://www.icbenchmark.com>

² Includes asset managers, consumer finance, speciality finance, investment services, mortgage finance.

³ Includes chemicals, forestry & paper, industrial metals & mining.

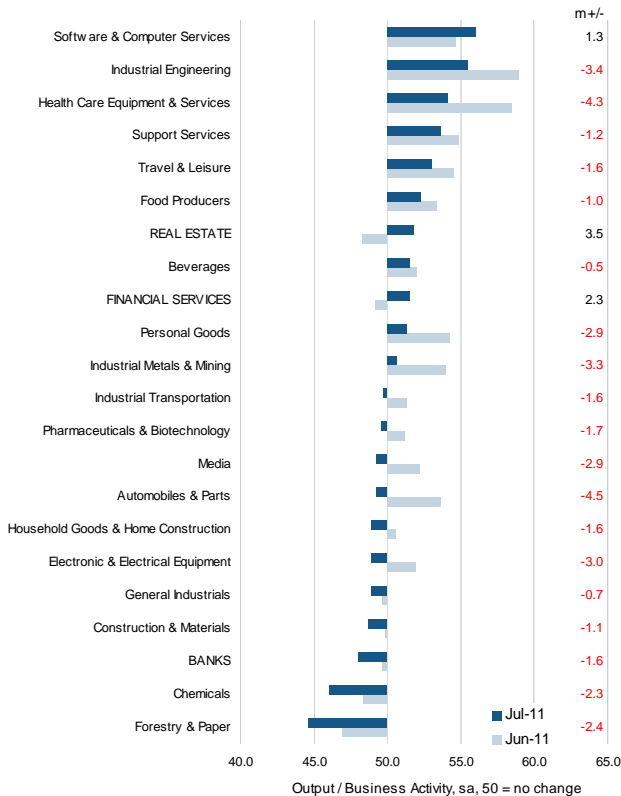
Banks: Activity vs Business Expectations



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. August data will be available on 7 September. For more information, please contact economics@markit.com.

EU sectors: July 2011 summary



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
 ***excludes 4533 Health Care Providers

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