

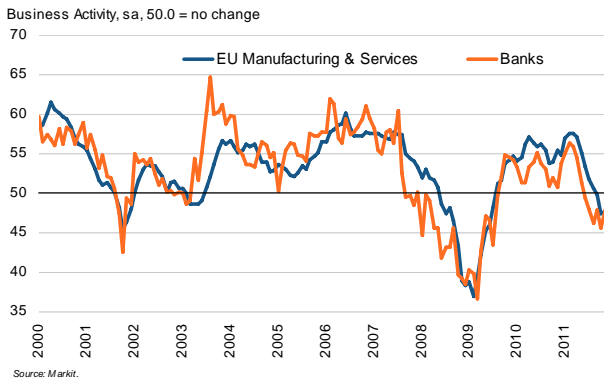
European Union

Banking sector activity falls for seventh month running

- Fastest rate of contraction since July 2009
- Banks had lowest Business Activity Index of all 22 sectors
- Output falling at slower rates in most other sectors

European Union *PMI™* sector data signalled a contraction of the EU banking sector for the seventh month running in December. Moreover, the rate of contraction accelerated in December to the fastest since July 2009, and banks recorded a lower Business Activity Index than any other sector among 22 covered by PMI data.

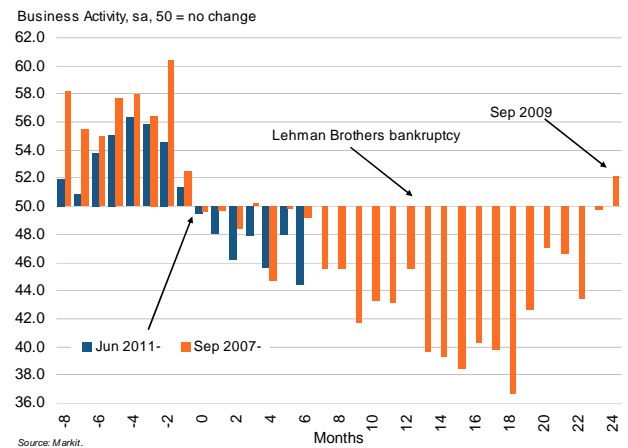
Banking performance provides clue to future growth trends



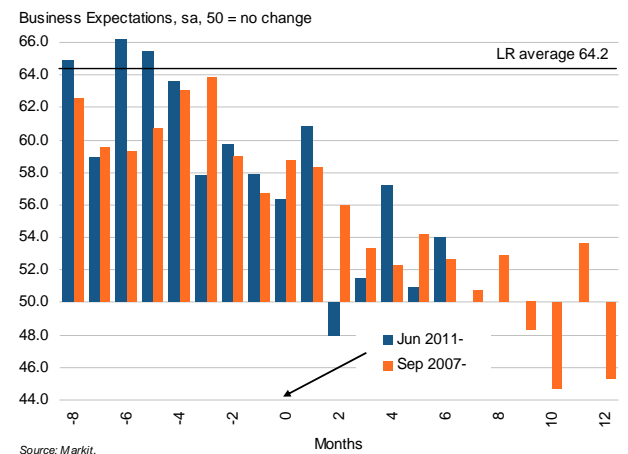
The faster rate of decline in the banking sector in December followed a fall in new business received and a sharp drop in the expectations index in November.

The contraction of the sector has yet to approach the severity seen following the collapse of Lehman Brothers in September 2008. But the trend in banks tends to lead that for the wider economy, so December data suggest another fall in European output as a whole in January.

EU Banks Activity Index 2011 v 2007



EU Banks Business Expectations Index 2011 v 2007



The Banks Business Expectations Index recovered some ground in the final month of 2011. But it remained well below its long-run trend level, and was the fourth-lowest since March 2009.

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

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

the same survey panels that Markit uses to produce national service sector PMIs.

Sector overview: December

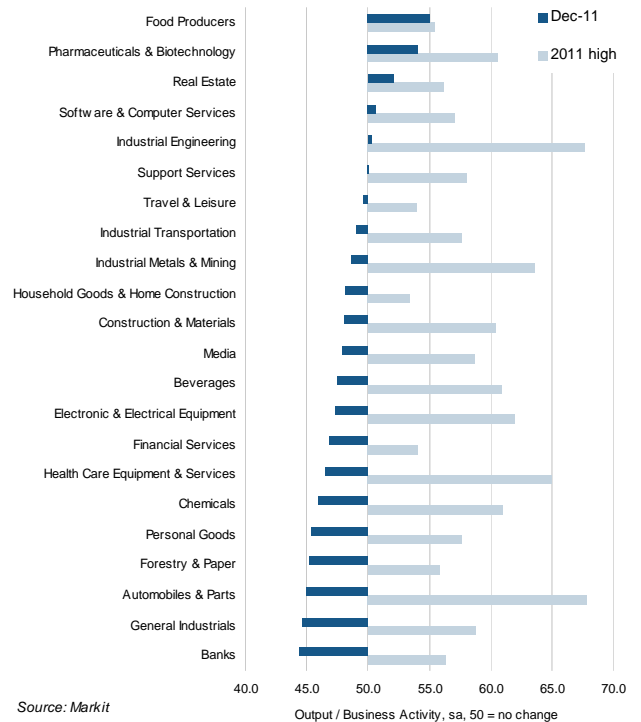
Elsewhere across the EU's manufacturing and services economy, most sectors continued to post falling activity. That said, rates of decline generally eased compared with November. Of 16 sectors to record falling activity, the pace of contraction eased in nine.

Just five sectors recorded growth of activity in December. Food producers registered the strongest expansion, as had also been the case in November. As a classic defensive sector, food producers has seen the smallest fall in its Output Index of all sectors from its 2011 high. On the flip side, the steepest falls in output indices have been observed in highly cyclical manufacturing sectors, namely automobiles & parts, health care equipment and services, industrial engineering and chemicals. The worst performers in terms of the overall rate of decline in December were banks, general industrials and autos & parts.

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. January data will be available on 7 February.

EU sectors ranked by output growth in December



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