

Global Sector PMI

Financials is fastest-growing area of global economy in December

- **Financials finish the year strongly, but healthcare outperforms in 2015 on average**
- **Insurance tops detailed sector rankings in December, followed by beverages**
- **Basic materials output falls, as metals & mining sees strongest drop in over three years**

The final batch of Markit’s detailed global sector *PMI*TM data for 2015 showed that **finance, food & drink, pharmaceuticals** and **hi-tech services** companies enjoyed the strongest growth at the end of the year. This followed the general pattern shown over 2015 as a whole, where **healthcare, financials** and **technology** registered the strongest growth rates. Notably, **metals & mining** posted the steepest drop in production in more than three years in December.

At the broad level (see chart 1), financials has now led global growth for the past four months. Conversely, the **basic materials** manufacturing sector has footed the table ten times in the past 12 months. **Telecommunication services** also performed comparatively poorly in the second half of 2015.

Drilling down to a more detailed level (see chart 2), **insurance** registered the strongest increase in business activity in December, followed by **beverages**. These two sectors also saw the strongest growth over 2015 as a whole. In contrast, **metals & mining** posted a drop in output for the eleventh successive month, and at the fastest rate since October 2012. **Chemicals** was the only other sector to see a fall in production during December.

Healthcare excels in 2015

Looking at the year as a whole, **healthcare** was the best-performing of the broad sectors monitored worldwide. Activity rose solidly throughout 2015, with the pace of expansion having hit a joint-record high back in February. Underpinning growth were its constituent sectors, **pharmaceuticals** and **healthcare services**. Pharmaceuticals, in particular, was one of the year’s top performers at the detailed level.

Chart 1: Global Sector PMI: broad sectors

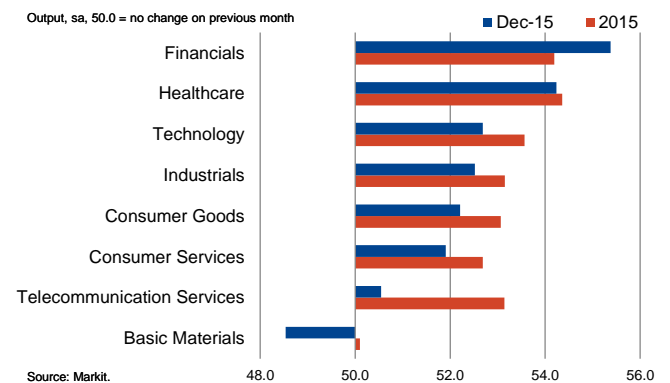
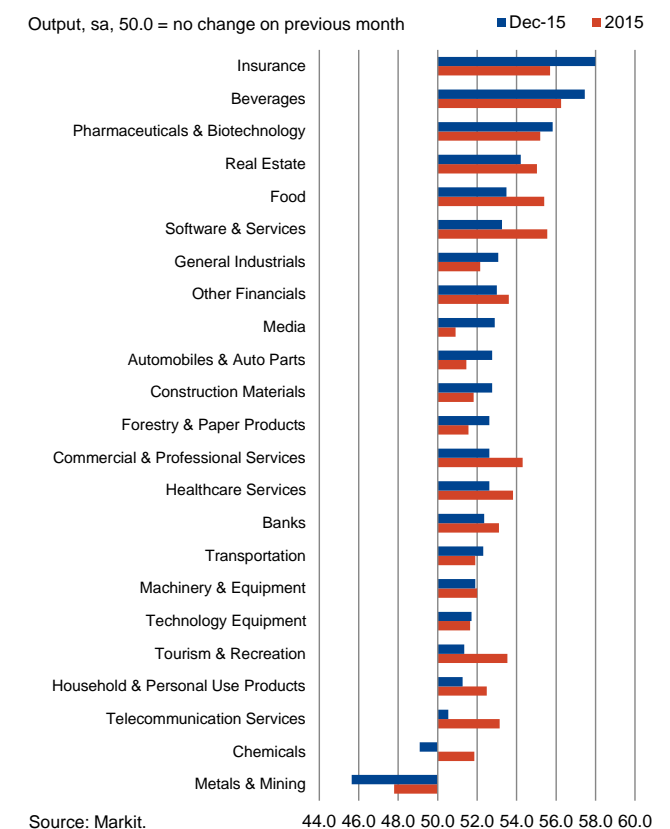
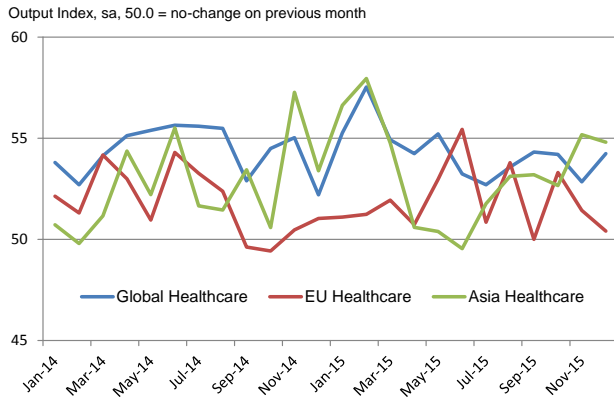


Chart 2: Global Sector PMI: detailed sectors



Sector data for EU and Asia showed divergent trends, however, with healthcare activity growth nearing stagnation at times in Europe but often leading the way in Asia. In fact, the annual average PMI reading for healthcare in Asia was the highest since 2012.

Chart 3: Healthcare PMI



Source: Markit.

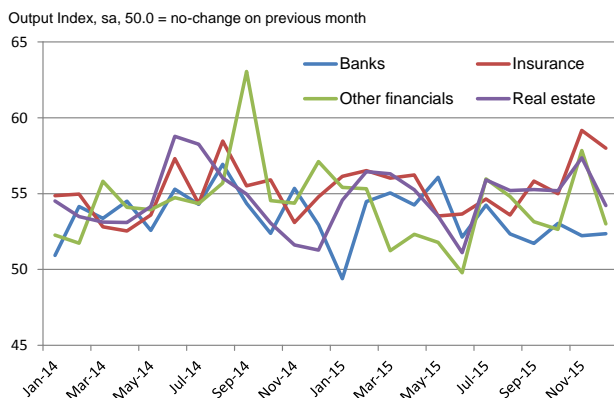
Solid growth in financials and technology

Financials and **technology** were the second- and third-fastest growing areas of the global economy respectively in 2015. **Insurance** was a key driver of financials growth (see chart 4), having finished the year on the crest of a wave (the Q4 average was the highest since Q3 2010), with **real estate** also among 2015's fastest-growing sectors.

The remaining two financial sectors saw strong growth over 2015 as a whole, though both suffered blips in the first half of the year: activity fell for the first time in recent history at **banks** and **other financials** in January and June respectively.

Meanwhile, it was **software & services** representing technology near the top of the league table, although **hi-tech equipment** was one of the worst performers of the year on average.

Chart 4: Financials PMI constituent sectors



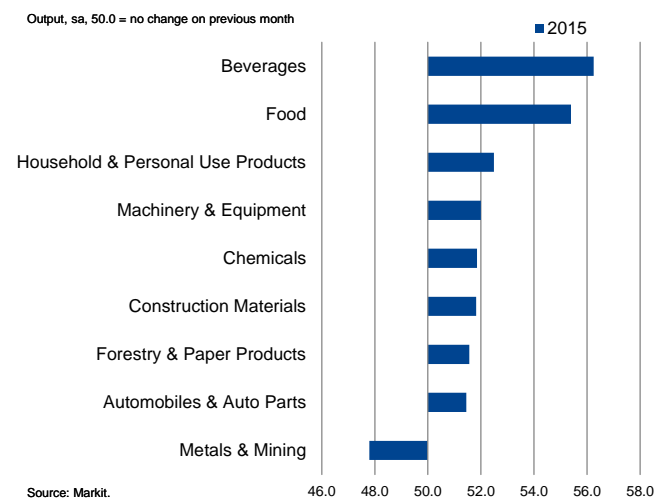
Source: Markit.

Beverages tops detailed rankings after record year

Beverages firms bucked the general trend for manufacturers in 2015 (chart 5), posting the highest annual average in over six years of data collection. Buoyed by sharp growth of new work, beverages was the strongest sector in the EU as well as globally. Moreover, it was the biggest climber in terms of league position, having placed nineteenth for average growth in 2014.

Food production was the other category to disrupt the dominance of services at the summit of the Output Index league table. It placed fourth in 2015 overall, largely on the back of record expansions seen in Q1.

Chart 5: Food & drink outperform other manufacturers



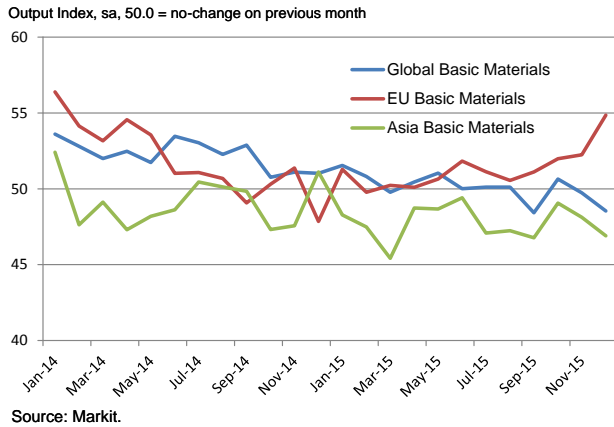
Source: Markit.

Basic materials is weakest area in 2015

Food & drink apart, 2015 was a poor year for manufacturers worldwide. **Basic materials**, in particular, registered a near-stagnation in output growth over the past 12 months. It was the worst-performing of the broad sectors covered by the survey in every quarter on average. The year finished on an especially low note, with output falling back-to-back in November and December for the first time since 2012. Basic materials was bottom-ranked in both Asia and the EU, with Asian data pointing to an ongoing contraction throughout 2015.

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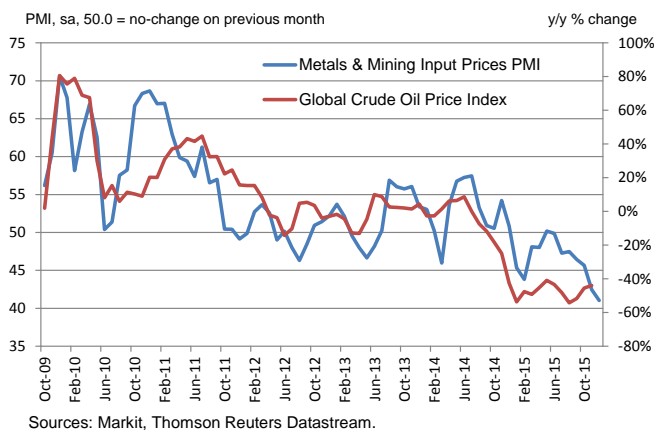
Chart 6: Basic Materials PMI



At the detailed level, **media** and **automobiles & auto parts** were among the laggards in 2015. Autos firms saw a survey-record rate of decline in output during August, while media struggled to recover from being the worst-performing category in 2014.

That said, **metals & mining** was the only sector globally to record an average below the neutral 50.0 mark this year. It was the main drag on its parent sector, basic materials, though **chemicals** and **forestry & paper products** grew only modestly. Interestingly, input costs and output charges were falling sharply towards the end of the year at metals & mining firms – reflecting lower global commodity prices and highlighting a period of uncertainty in the sector heading into 2016.

Chart 7: Metals & Mining Input Prices vs Global Oil Prices



Momentum and relative growth

Global Sector PMI data can be usefully analysed according to *momentum* and *relative growth* (see chart 8). *Momentum* is calculated as the difference between the average of the Business Activity Index’s *month-on-month* movement over the latest three-month period and the long-run average of its month-on-month movement (since October 2009), divided by the standard deviation from the mean. A *relative growth* score is the difference between the Business Activity Index’s average over the latest three-month period and its long-run average (since October 2009), divided by the standard deviation from the mean.

Three sectors registered positive momentum and growth scores during the final quarter of 2015. Contrasting with the trend seen in the previous three-month period, only **insurance** recorded positive scores in both cases from the financials group. The remaining two sectors to see relatively strong growth and pick-ups in momentum were **construction materials** and **general industrials**.

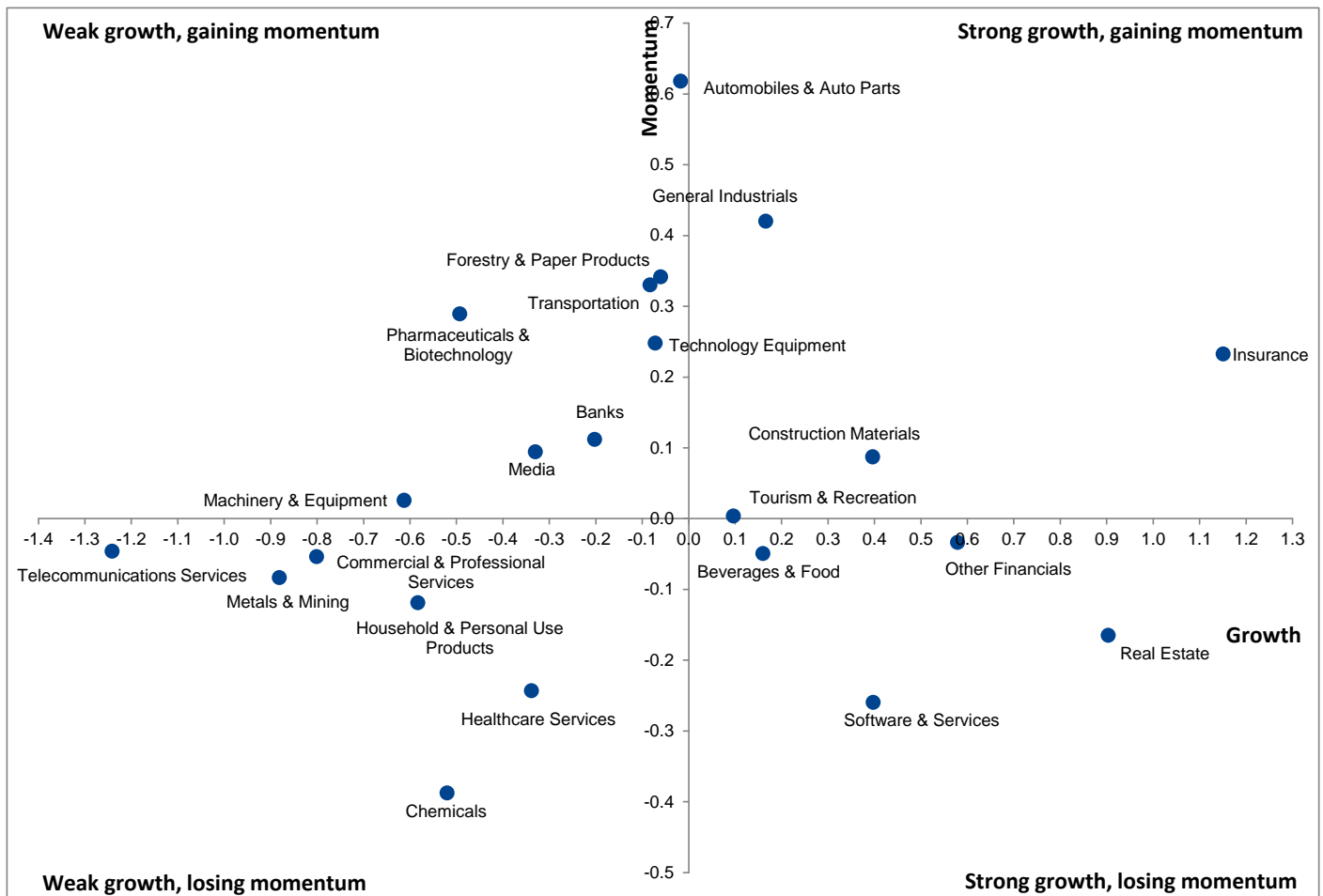
Automobiles & auto parts remained the highest-scoring sector in terms of growth momentum during Q4, though it posted a broadly neutral relative growth score.

Telecommunication services was the worst-performing with regard to relative growth in the latest period, while its momentum was broadly stable.

Chemicals suffered the greatest loss of momentum, and also saw subdued growth compared with the long-run average.

See over for chart.

Chart 8: Relative growth and momentum by sector



Notes on data

Markit Global Sector PMI data are derived from surveys of over 20,000 companies operating in 28 countries. The data are typically released on the fifth working day (UK) of each month at 0930 UK time.

The Global Sector PMI data provide corporate planners and decision makers, economic analysts, policy makers and investors with a powerful and unique database with which to monitor business cycles by industry. Sector trends over time can be tracked as well as relative performance between sectors, allowing identification of key growth industries and the drivers within them.

The data create powerful insights into sector profitability and provide tools for investment strategy and asset allocation. Corporate users are able to examine trends within industry sectors, to help industry forecasting and inventory planning.

The dataset provides monthly indicators of business trends across variables such as output, order books, prices, inventories and employment for eight major groups including: basic materials, consumer goods, consumer services, financials, healthcare, industrials, technology and telecommunication services; and a further 26 sectors and subsectors of those groups.

Detailed historical global sector data are available via a subscription from Markit, and datasets are also available for Europe. For further information please contact economics@markit.com.

Global Sector PMI structure

Groups

- Sectors
- Subsectors

Basic Materials

- Chemicals
- Resources
 - Forestry & Paper Products
 - Metals & Mining

Consumer Goods

- Automobiles & Auto Parts
- Beverages & Food
 - Food
 - Beverages
- Household & Personal Use Products

Consumer Services

- Media
- Tourism & Recreation

Financials

- Banks
- Insurance
- Other Financials
- Real Estate

Healthcare

- Healthcare Services
- Pharmaceuticals & Biotechnology

Industrials

- Industrial Goods
 - Machinery & Equipment
 - Construction Materials
- Industrial Services
 - Commercial & Professional Services
 - General Industrials
- Transportation

Technology

- Technology Equipment
- Software & Services

Telecommunication Services

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