

Global Financials PMI

Banks and real estate weigh on global financial industry in October

- **Global financial activity growth slows to nine-month low, but rise in new business suggests growth may revive again**
- **Marginal decline in real estate activity**
- **Insurance gaining momentum**

Markit's global **financials** PMI data signalled a slower rate of expansion in activity in October, with a near-stagnation of **banking** activity and a drop in **real estate** activity over the month. **'Other financials'** and **insurance** continued to expand, but at slower rates than in August and September.

The data are based on responses from 1,400 companies operating in the financial sector across all major advanced and emerging economies.

New business growth remains solid

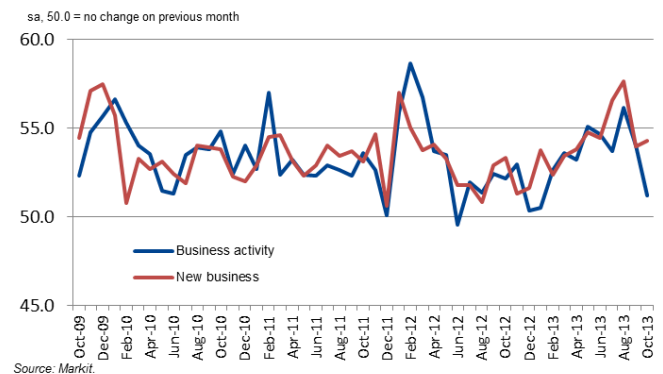
The slower rise in activity had been signalled by a much slower rise in new business in September. October data on new business inflows suggested that overall growth of activity may pick up in November, as the rate of expansion edged up from September and was stronger than the rate of growth in total activity.

By sector, new business growth at banks accelerated in October to the highest since September 2012, suggesting an improvement in overall growth of activity in November. Meanwhile, new business growth in insurance was the strongest in nine months, and the pace of expansion in other financials was the third-fastest in the four-year series history.

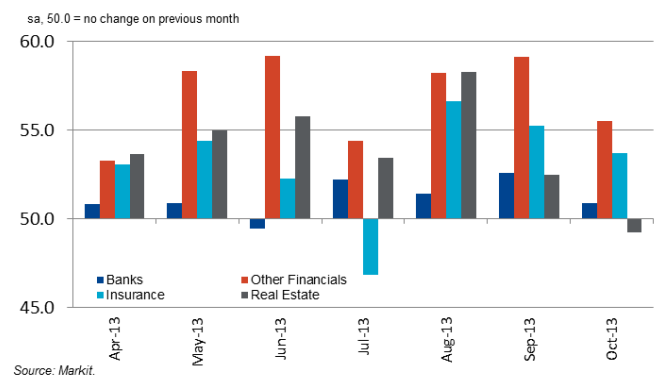
The volume of outstanding business declined for the fourth month running, pointing to the existence of spare capacity in the sector. Three sectors registered lower backlogs, led by banks, while insurance posted a series-record increase in outstanding business.

Although activity growth slowed, financial firms continued to expand their workforces at an above-trend pace. Employment across all financial sectors rose for the sixteenth successive month. Notably, insurance posted a series-record rate of job creation.

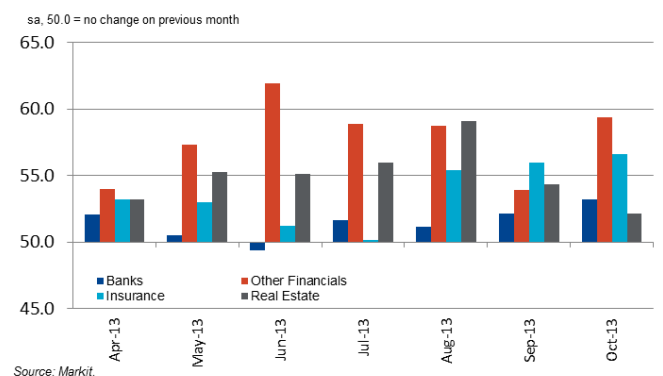
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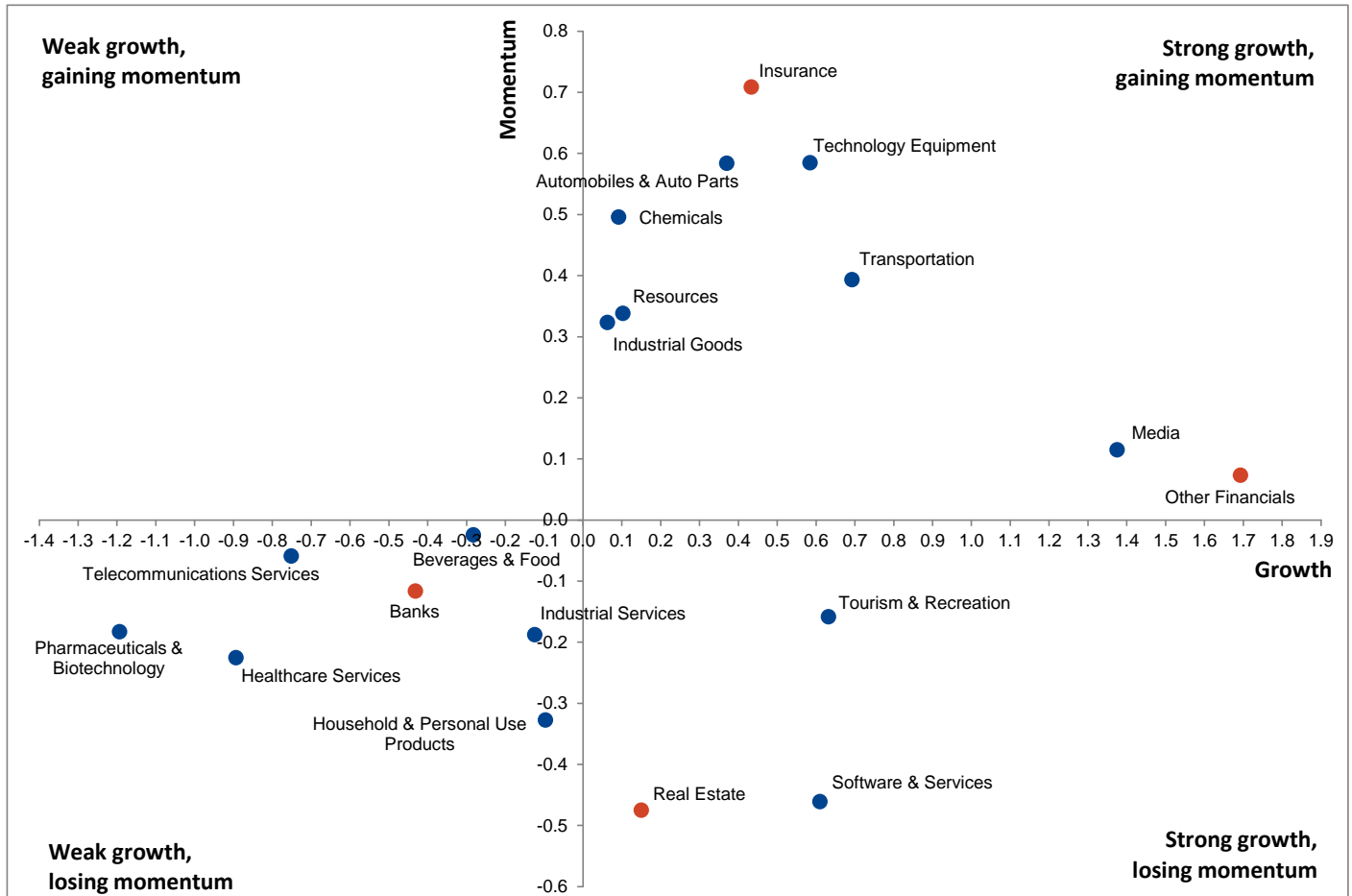
Business Activity Index by sector



New Business Index by sector



Relative growth and momentum by sector



Other financials shows best relative growth, while insurance gains momentum

Within the financials industry, ‘**other financials**’ has shown the strongest Activity Index reading of the four constituent sectors in five of the past six months. Moreover, it has been in the top-three ranked global sectors throughout this period and was the top-ranked global sector in May, June and September, surrendering top spot to beverages in October.

‘Other financials’ also scores the highest relative growth reading of all global sectors based on data for the past three months. This score is the difference between the Activity Index’s three-month average (August, September and October) and its long-run average (since October 2009), divided by the standard deviation from the mean. Aside from the media sector, other financials is significantly ahead of all other global sectors on this score.

Insurance is meanwhile the best performing global sector in terms of *momentum*. This score is the

difference between the latest three-month average of the Activity Index’s *month-on-month movement* and the long-run average of its month-on-month movement, divided by the standard deviation from the mean. In comparison, ‘other financials’ show a lack of momentum and therefore the Activity Index may have peaked recently. Insurance’s momentum score is corroborated by the New Business Index rising to a nine-month high in October (and the fourth-highest in the four-year series history), and also record high index readings for both employment and backlogs in October.

The two remaining financial sectors, **banks** and **real estate**, lack both relative growth and momentum. Both register negative momentum scores, and banks also shows negative relative growth. Real estate is the lowest-scoring among all global sectors in terms of momentum, just behind software & services. Banks, meanwhile, shows the fourth-worst relative growth performance of all sectors, ahead of pharmaceuticals & biotechnology, healthcare services and telecommunications services.

Notes on data

Markit Global Financials PMI data are derived from Markit's worldwide services and whole economy PMI surveys, covering over 1,400 companies in banking, insurance, real estate and other financial services.

Markit Global Sector PMI data are derived from surveys of over 20,000 companies operating in 28 advanced and emerging economies. 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 insight 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.

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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