

Europe

Output trends improve across most European sectors in December, with banks in particular returning to growth

- Output falls in 14 out of 22 sectors, but rates of decline ease in seven
- Banking activity increases for first time in ten months, albeit only marginally
- Smallest fall in auto production in eight months
- Food producers report steepest price rises

Although 14 of the 22 sectors covered by detailed sector *PMI*[®] data for Europe posted a reduced level of output in December, the rates of contraction slowed in half. Declines eased particularly in **healthcare equipment & services** and **travel & leisure**, although moderate reductions were still recorded in both cases.

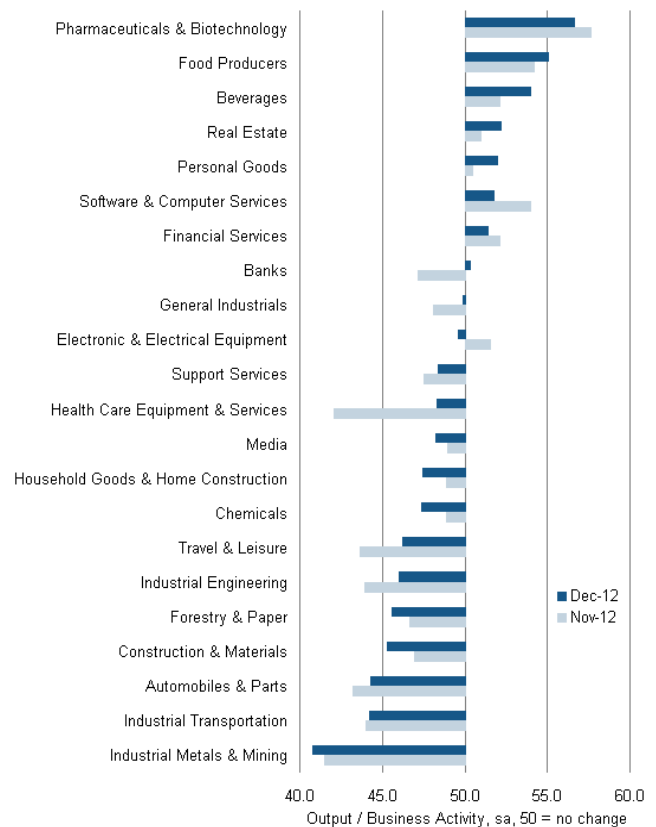
Banks meanwhile saw a return to growth in December. Although the rate of increase was only marginal, it was the first rise in business activity in ten months and was similarly matched by the highest level of optimism since August.

Real estate and **financial services**, which along with banks form the wider **financials** industry, both also reported increased activity during December. Together, output across the industry as a whole rose for the first time since last January, albeit marginally. New business in the financials industry meanwhile fell at the weakest rate in the current ten month sequence of contraction, but employment declined further, largely reflecting job losses in the financial services sector.

Auto output falls at weakest rate since April

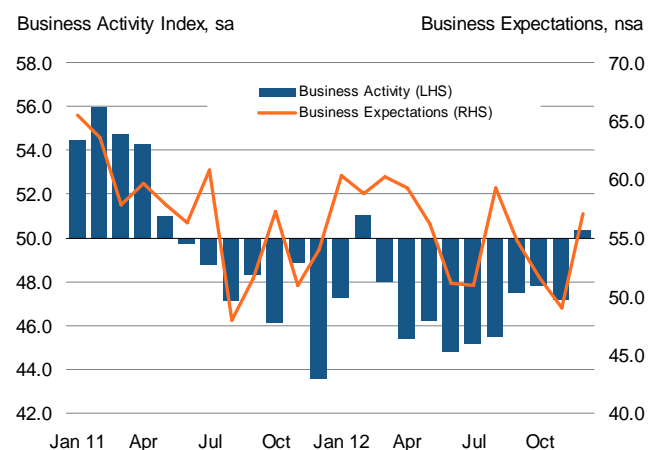
Production in the **automobiles & parts** sector fell markedly again in December. However, after having reached a three-year peak in July, the rate of decline has steadily eased to its slowest in eight months. New business volumes meanwhile continued to fall sharply and contributed to a further round of job losses, though the latest reduction in headcounts was notable in being the weakest since August.

Europe: ICB sectors



Source: Markit.

Banking activity returns to growth



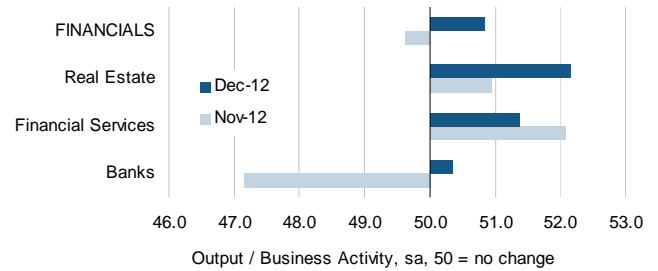
Source: Markit.

Input price inflation strengthens in December for most sectors

Input prices rose across the board in December, with firms in 20 sectors reporting an increase in costs since November. The fastest rate of input price inflation continued to be reported in the **food producers** sector but, although sharp, the latest increase was nonetheless the weakest for five months.

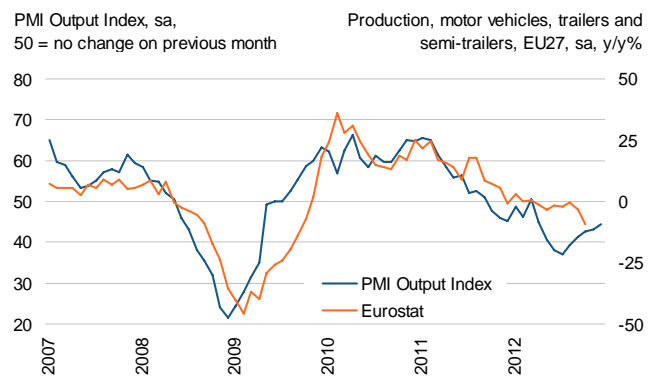
Food producers partly passed greater costs on to clients by raising their selling prices, with the latest increase in output charges the strongest among all monitored sectors (albeit well below the recent peak seen in October). **Chemicals** closely followed, posting the fastest rate of output price inflation in eight months.

Financials: detailed sectors



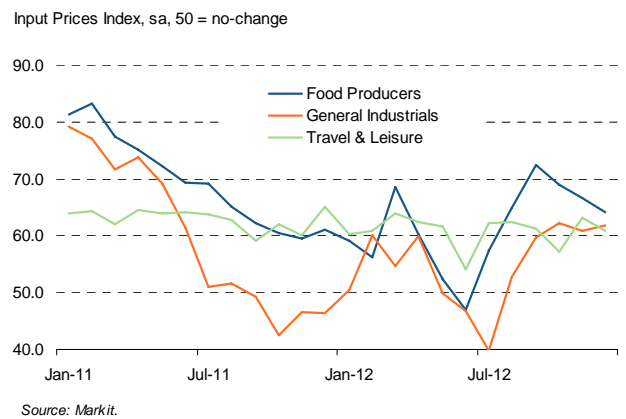
Source: Markit

Automobiles & parts production



Sources: Markit, Eurostat

Input price inflation



Source: Markit.

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