

PE ratio by industry

When it comes to analyzing and evaluating stocks, one of the most commonly used metrics is the [price-to-earnings \(P/E\)](#) ratio. The PE ratio helps investors assess a stock's value relative to its earnings. However, the average PE ratio can vary significantly between different industry sectors.

First, let's define the P/E ratio. The P/E ratio is calculated by dividing a company's stock price by its earnings per share (EPS).

Price to Earnings Ratio = Stock Price / TTM Earnings Per Share (EPS)

This ratio shows how much investors are willing to pay for each dollar of earnings the company generates. A high P/E ratio indicates that investors expect strong future growth, while a low P/E ratio suggests investors are less optimistic about the company's future prospects.

Average P/E Ratio by Industry

The average P/E ratio varies significantly by industry. Here is a table showing average PE ratios by industries in the US as of Sep 2024:

Industry	Average P/E ratio	Number of companies
Advertising Agencies	16.28	22
Aerospace & Defense	28.35	49
Agricultural Inputs	23.55	11
Airlines	12.18	13
Apparel Manufacturing	18.01	16
Apparel Retail	16.32	28
Asset Management	12.57	72

full ratio



Auto Parts	16.21	45
Auto & Truck Dealerships	17.73	14
Banks - Diversified	13.29	6
Banks - Regional	13.68	271
Beverages - Non-Alcoholic	27.38	9
Biotechnology	21.12	481
Broadcasting	23.5	16
Building Materials	22.92	7
Building Products & Equipment	21.44	28
Business Equipment & Supplies	22.02	7
Capital Markets	17.64	33
Chemicals	24.15	17
Communication Equipment	35.11	47
Computer Hardware	24.85	28
Consulting Services	35.17	16
Credit Services	14.47	44
Department Stores	12.9	5
Diagnostics & Research	34.73	64
Discount Stores	27.51	9
Drug Manufacturers - General	37.45	12
Drug Manufacturers - Specialty & Generic	32.5	47
Education & Training Services	22.02	15
Electrical Equipment & Parts	24.87	39
Electronic Components	33.54	30
Electronics & Computer Distribution	18.43	5
Engineering & Construction	31.37	30

full ratio



Farm & Heavy Construction Machinery	14.68	22
Farm Products	12.18	17
Financial Data & Stock Exchanges	26	10
Food Distribution	26.48	9
Footwear & Accessories	19.3	11
Furnishings, Fixtures & Appliances	18.2	18
Gambling	22.1	10
Gold	27.83	26
Grocery Stores	19.81	10
Healthcare Plans	22.16	12
Health Information Services	52.67	30
Household & Personal Products	23.44	23
Industrial Distribution	24.12	17
Information Technology Services	31.49	52
Insurance Brokers	27.15	12
Insurance - Diversified	11.81	11
Insurance - Life	11.7	12
Insurance - Property & Casualty	14.89	36
Insurance - Reinsurance	7.83	7
Insurance - Specialty	12.96	16
Integrated Freight & Logistics	30.14	15
Internet Content & Information	30.97	36
Internet Retail	29.16	22
Leisure	22.44	22
Lodging	24.02	9
Marine Shipping	10.24	22

full ratio



Medical Devices	29.33	95
Medical Distribution	23.2	7
Medical Instruments & Supplies	43.33	43
Metal Fabrication	24.44	13
Mortgage Finance	13.77	17
Oil & Gas Drilling	15.45	6
Oil & Gas E&P	11.93	60
Oil & Gas Equipment & Services	18.27	42
Oil & Gas Integrated	13.18	6
Oil & Gas Midstream	12.88	34
Oil & Gas Refining & Marketing	11.86	18
Packaged Foods	23.05	41
Packaging & Containers	19.71	21
Personal Services	15.71	10
Publishing	48.49	7
Railroads	23.29	8
Real Estate - Development	26.1	9
Real Estate Services	33.98	25
Recreational Vehicles	22.93	14
REIT - Diversified	21.95	17
REIT - Healthcare Facilities	43.08	15
REIT - Hotel & Motel	25.92	15
REIT - Industrial	34.84	16
REIT - Mortgage	19.47	35
REIT - Office	41.66	24
REIT - Residential	35.18	18

full ratio



REIT - Specialty	33.71	15
Rental & Leasing Services	17.87	17
Residential Construction	12.18	20
Resorts & Casinos	16.32	18
Restaurants	20.11	40
Scientific & Technical Instruments	42	24
Security & Protection Services	24.7	14
Semiconductor Equipment & Materials	32.09	26
Semiconductors	39.27	62
Software - Application	40.09	184
Software - Infrastructure	34.15	88
Specialty Business Services	27.49	25
Specialty Chemicals	27.47	44
Specialty Industrial Machinery	28.14	72
Specialty Retail	17.95	39
Staffing & Employment Services	27.28	22
Steel	13.49	15
Telecom Services	29.29	33
Thermal Coal	6.94	9
Tobacco	13.83	6
Tools & Accessories	23.06	10
Travel Services	27.28	12
Trucking	26.66	11
Utilities - Diversified	20.24	15
Utilities - Regulated Electric	21.75	25
Utilities - Regulated Gas	19.43	14



full ratio



Utilities - Renewable

27.29

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As shown in the table, the Health Information Services industry has the highest average P/E ratio of 52.67, followed by Publishing at 48.49. In contrast, the Thermal Coal industry has the lowest average P/E ratio of 6.94, followed by the Insurance - Reinsurance industry at 7.83. This variation is due to several factors, including industry-specific risks, growth potential, and investor sentiment.

Industries with highest PE ratio

Industries with the highest PE ratio are shown in the following chart and table. You can further filter the industries by sector in the chart below, so you can see a breakdown of the top industries with the highest PE ratio for every sector.



All sectors

Industry	Average P/E ratio	Number of companies
Health Information Services	52.67	30
Publishing	48.49	7
Medical Instruments & Supplies	43.33	43
REIT - Healthcare Facilities	43.08	15
Scientific & Technical Instruments	42	24
REIT - Office	41.66	24
Software - Application	40.09	184
Semiconductors	39.27	62
Drug Manufacturers - General	37.45	12

Industries with lowest PE ratio

Industries with the lowest PE ratio are presented in the following chart and table. Within the chart below, you can also refine the industries by sector, allowing you to observe a breakdown of the top industries with the lowest PE ratio in each sector.

All sectors ▾



Industry	Average P/E ratio	Number of companies
Thermal Coal	6.94	9
Insurance - Reinsurance	7.83	7
Auto Manufacturers	8.45	16
Marine Shipping	10.24	22
Insurance - Life	11.7	12
Insurance - Diversified	11.81	11
Oil & Gas Refining & Marketing	11.86	18
Oil & Gas E&P	11.93	60
Airlines	12.18	13
Farm Products	12.18	17

It's important to compare the P/E ratio of a company to the average P/E ratio for its industry. If a company's P/E ratio is higher than the industry average, it may indicate that investors have high expectations for the company's growth potential. Conversely, if a company's P/E ratio is lower than the industry average, it may suggest that investors are less optimistic about the company's future prospects and therefore are willing to pay lower multiple for it.

full ratio



Some industries tend to have higher P/E ratios than others because they are expected to have higher growth potential and future earnings. On the other hand, industries with lower growth potential or with more mature companies tend to have lower P/E ratios.

There are several industry sectors, each with unique characteristics that impact the P/E ratio. For example:

- Technology companies often have higher P/E ratios due to the potential for rapid growth and innovation.
- Healthcare companies often have lower P/E ratios due to regulatory risks and high research and development costs.
- Consumer goods companies typically have moderate P/E ratios due to the steady demand for their products.



Other factors that can impact P/E ratios include interest rates, inflation, and macroeconomic trends. High interest rates or inflation can reduce the value of future earnings, causing P/E ratios to decline. Economic recessions or other negative macroeconomic events can also impact P/E ratios across industries.

Types of PE ratio

The P/E ratio is a relative comparison between a company's current stock price and its earnings per share (EPS). There are different types of P/E ratios that can be used depending on the timeline of stock price consideration. The first type is the **forward P/E ratio**, which compares current earnings to future earnings by estimating what the future earnings might look like.

The second type is the **trailing twelve months P/E ratio**, which uses EPS data from the past 12 months to judge a company's current performance.

The third type is the **absolute P/E ratio**, which uses current stock price and data from both the past 12 months and future projections.

Lastly, the **relative P/E ratio** compares the absolute P/E ratio to P/E values of the past, using a time frame set by investors.

It's important to note that while each type of P/E ratio has its own strengths and weaknesses, investors should consider multiple factors beyond P/E ratios when making investment decisions.

While the P/E ratio is a useful metric, it has some limitations. It's important to note that P/E ratios should not be used as the sole factor when making investment decisions. Investors should consider a range of factors, such as a company's financial health, management team, growth potential, and industry trends, when assessing the value of a company and make more informed investment decisions.

