

News Release

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Markit Global Business Outlook Survey: Eurozone

Eurozone business confidence rises to one-year high

- Strong increase in German optimism lifts euro area average...
- ...but sentiment in France remains notably weak despite rising since autumn
- Employment set to stagnate across the euro area

Comment:

Jack Kennedy, Senior Economist at survey compilers Markit:

“The improvement in business confidence across the Eurozone in February is further evidence that the region’s downturn bottomed out in the fourth quarter of 2012, when the outlook was the darkest since the 2008-9 recession, and that the economic climate has thawed in early 2013. The survey adds to expectations that the region’s economy will stabilise by the mid-year and growth will return in the second half of 2013.

“Optimism is the highest in Germany, but perhaps most encouraging is the marked improvement in confidence in Italy, Spain and, to a lesser degree, France since the post-crisis lows seen late last year. A robust German upturn therefore looks likely to be accompanied by gradual turnarounds in the peripheral economies, though Greece still looks set to endure another year of recession.

“Despite the expected upturn in activity, the picture for the labour market is one of stagnation over the coming year. Although this does at least represent an improvement compared to the forecasts of net job losses in the previous two surveys the flat picture suggests the region’s record high level of unemployment may rise still further as public sector job cuts fail to be offset by private sector job creation. Again though, prospects vary markedly by country, with employment set to rise in Germany but decline in France, Italy and Spain.

“Company profits expectations have turned moderately positive for the first time in a year, but

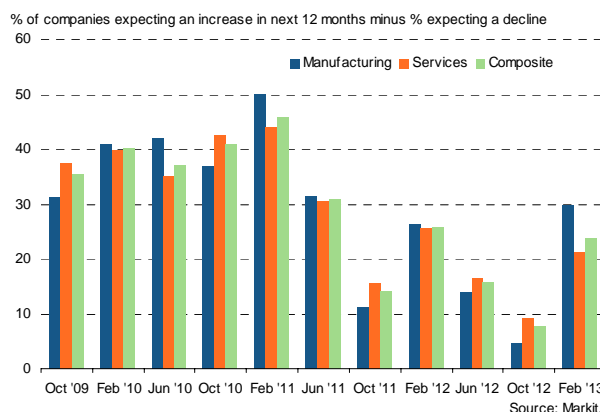
this has not translated into upward revisions to capital expenditure plans, as caution remains the watchword in a still fragile and uncertain economic environment for many companies.”

Business activity forecasts revised higher

Expectations regarding business activity over the next 12 months have strengthened across the Eurozone compared with the previous survey conducted in October 2012. Increased activity is forecast by +24 percent of companies on balance, up from just +8 percent last autumn and the highest reading for a year.

Confidence is highest in the manufacturing sector, where the net balance of companies anticipating growth of business activity has increased to +30 percent from just +5 percent in the autumn. In the service sector, the net balance is +21 percent, up from +9 percent.

Expected activity levels in 12 months’ time



Strong rise in German confidence

Key to the improvement in overall Eurozone optimism is a marked strengthening of sentiment in Germany, with the confidence net balance for business activity jumping by 20 points to +29 in the latest survey period. Anecdotal evidence from

German panellists suggested that policy action to stabilise the financial crisis in the Eurozone had resulted in clients becoming more willing to invest and that there were opportunities to grow market share in major export markets such as the US and Asia.

Encouragement is also provided by improved confidence levels among firms in Italy (+25 from +15) and Spain (+23 from +1).

In France, growth of business activity is expected by +13 percent of companies on balance. While this is up from a reading of zero last October, it remains weak compared with the historical average. Survey respondents commented on intense competitive pressures and low consumer confidence as key challenges to their businesses.

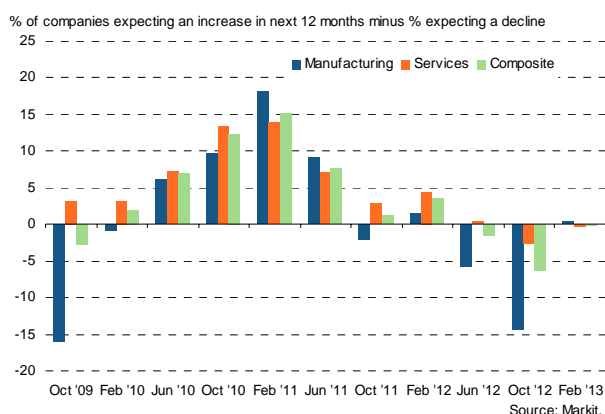
Among the smaller euro area nations, optimism has strengthened in Austria, Ireland and the Netherlands to solid levels. Greece remains firmly in the mire, however, with firms continuing to predict sharply declining activity levels over the coming year.

Employment set to stagnate

Although activity is forecast to rise, this is not matched by expectations for job hiring. Instead, staffing levels across the Eurozone are predicted to remain unchanged in 12 months' time. This is signalled by the net balance for employment registering zero, up from -6 percent last October. Manufacturers and service providers both signal expectations of flat workforce numbers.

Employment expectations differ between the big-four Eurozone countries, with hiring in Germany set to be offset by job losses in France, Italy and Spain.

Expected employment levels in 12 months' time



Profits forecasts revised higher but firms set to keep tight rein on capex

Companies in the Eurozone anticipate a modest rise in profits over the next 12 months (+6 from -8). Increases are predicted at both manufacturers and service providers.

However, investment in new capital is not predicted to rise accordingly. Instead, a net balance of -2 points to a marginal drop in capex.

Input price rises expected to outstrip charge inflation

Companies in the Eurozone anticipate that input cost inflation will be sharper than that of output charges during the coming year. A net balance of +22 percent of all firms predict higher input prices, compared with just +8 percent that expect a rise in prices charged.

Of the major euro area countries, inflation expectations are strongest in Germany and weakest in Spain. Indeed, Spanish firms anticipate broadly no change in input costs and a reduction in selling prices.

Global context

Optimism worldwide has improved in February, with the net balance for activity picking up to +39 percent, from +30 percent in October. Brazil posts the strongest sentiment followed by the US, but expectations have improved across the majority of monitored countries. The eurozone and Japan remain the least optimistic areas, but have nevertheless seen business confidence rise since late last year.

While predictions of growth in activity are widespread, the outlook for employment is less bright. At +17 percent, the global employment net balance is only slightly stronger than seen in October. The weakest job market outlook is in the eurozone, where companies expect employment to remain unchanged over the coming year.

Overview of data:

Eurozone all-sectors

	Jun-12	Oct-12	Feb-13
Business Activity	+16	+8	+24
Business Revenues	+8	+3	+17
New Orders	+12	+8	+24
Profits	-4	-8	+6
Employment	-2	-6	0
Capital Expenditure	-3	-7	-2
Input Prices	+18	+19	+22
Output Prices	+2	+5	+8

Eurozone manufacturing sector

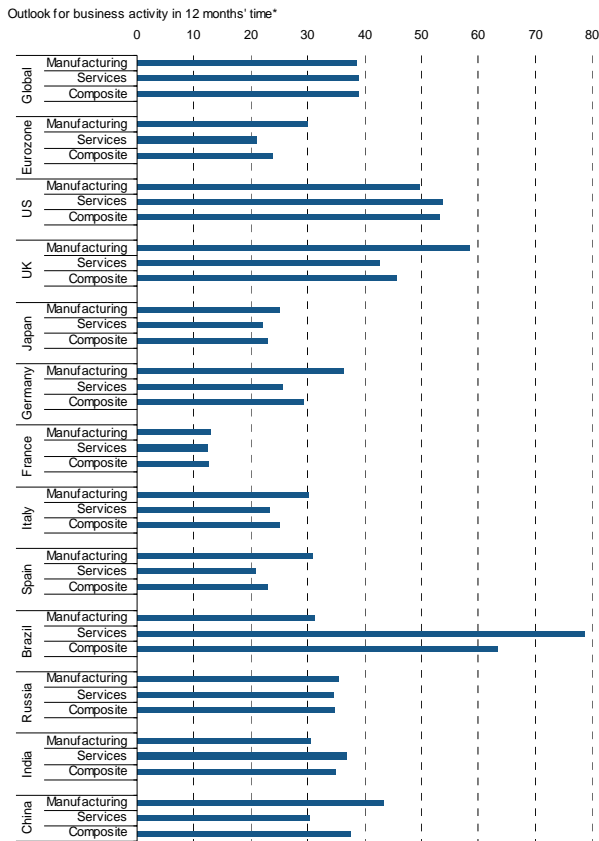
	Jun-12	Oct-12	Feb-13
Business Activity	+14	+5	+30
Business Revenues	+9	+2	+25
New Orders	+12	+5	+31
Profits	-2	-8	+11
Employment	-6	-14	0
Capacity Utilisation	+10	-1	+25
Capital Expenditure	-2	-6	+4
R&D Expenditure	+5	+4	+10
Input Prices	+9	+9	+20
Output Prices	+2	+3	+17
Inventory: Output Ratio	-11	-17	-10

Eurozone service sector

	Jun-12	Oct-12	Feb-13
Business Activity	+16	+9	+21
Business Revenues	+7	+4	+13
New Orders	+13	+9	+20
Profits	-5	-8	+3
Employment	0	-3	0
Capital Expenditure	-3	-7	-5
Outsourcing	-2	-7	-3
Input Prices	+22	+23	+24
Output Prices	+2	+5	+4
Staff Costs	+25	+21	+27
Service Costs	+7	+7	+8
Non-Staff Costs	+7	+9	+9

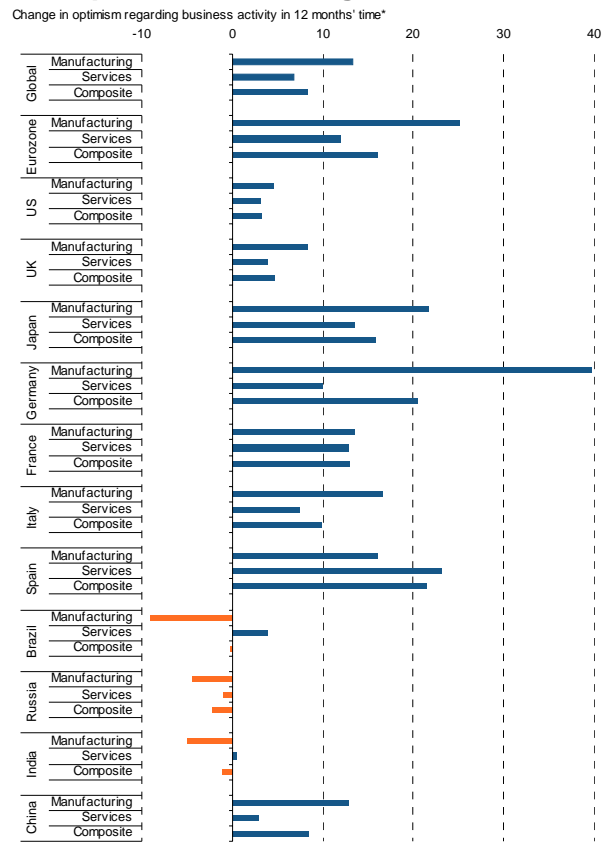
All figures are net balances (percent expecting a rise minus percent expecting a decline)

Business activity outlook



* chart shows net balance of optimism less pessimists in February.

How optimism has changed since October



* chart shows net balance of optimism less pessimists in February compared to net balance in October.

Full data available on request, please contact economics@markit.com

-Ends-

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Notes to Editors:

The Global Business Outlook Survey for worldwide manufacturing and services is produced by Markit Economics and is based on a survey of around 11,000 manufacturers and service providers that are asked to give their thoughts on future business conditions. The reports are produced on a tri-annual basis, with data collected in February, June and October. The latest survey was conducted between February 12 and 26.

The countries covered by the survey are the US, Japan, Germany, the UK, France, Italy, Spain, Ireland, Austria*, the Netherlands*, Greece*, the Czech Republic*, Poland*, Brazil, Russia, India and China. (* Manufacturing only)

Interest in the use of economic surveys for predicting turning points in economic cycles is ever increasing and the Business Outlook survey uses an identical methodology across all nations covered. It gives a unique perspective on future business conditions from Global manufacturers and service providers.

The methodology of the Business Outlook survey is identical in all countries that Markit Economics operates. This methodology seeks to ensure harmonization of data, and is designed to allow direct comparisons of business expectations across different countries. This provides a significant advantage for economic surveillance around the globe and for monitoring the evolution of the manufacturing and services economies by governments and the wider business community.

Data collection is undertaken via the completion of questionnaires three times a year at four-month intervals. A combination of phone, fax, website and email are used, with respondents allowed to select which mechanism they prefer to use.

The Business Outlook survey uses net balances to indicate the degree of future optimism or pessimism for each of the survey variables. These net balances vary between -100 and 100, with a value of 0.0 signalling a neutral outlook for the coming twelve months. Values above 0.0 indicate optimism amongst companies regarding the outlook for the coming twelve months while values below 0.0 indicate pessimism. The net balance figure is calculated by deducting the percentage number of survey respondents expecting a deterioration/decrease in a variable over the next twelve months from the percentage number of survey respondents expecting an improvement/increase.

Questionnaires are sent to a representative panel of around 11,000 manufacturing and services companies spread across the global economy in the countries mentioned above. Companies are carefully selected to ensure that the survey panel accurately reflects the true structure of each economy in terms of sectoral contribution to GDP and company size. This panel forms the basis for the survey. The current report is based on responses from around 6,300 firms.

About Markit

Markit is a leading, global financial information services company with over 2,800 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information, see www.markit.com.

Markit Economics is a specialist compiler of business surveys and economic indices, including the Purchasing Managers' Index™ (PMI™) series, which is now available for 32 countries and key regions including the Euro zone and BRIC. The PMIs have become one of the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision-makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/economics.

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