

## News Release

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# Markit Eurozone Business Outlook

Business optimism at lowest ebb since 2014 as political risks intensify

- **Business optimism slips lower across the eurozone**
- **'Brexit' uncertainty and rising political risk seen as most common threats to business outlook**
- **Hiring intentions and planned capex remain resilient, but at risk from changing politics**

Data collected 13-29 June 2016

Eurozone business confidence has deteriorated to the lowest since late-2014, according to the latest Markit Business Outlook survey.

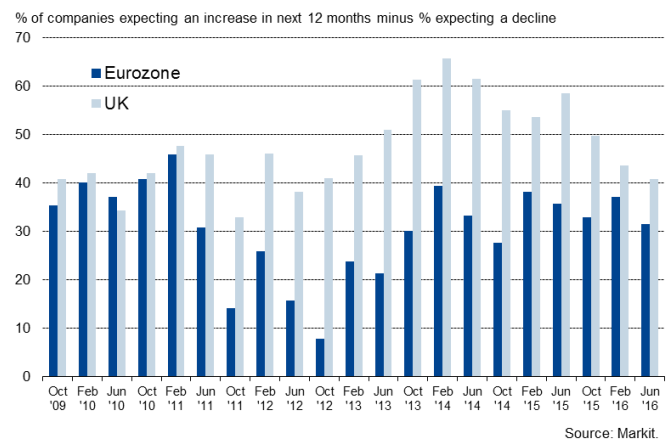
Conducted in June, with the majority of responses collected prior to the UK's referendum on EU membership, the survey showed the percentage of respondents expecting to see their business activity levels rise over the coming year outnumbered those expecting a decline by 31%, but that's down from a net balance of 37% earlier in the year and the lowest since October 2014.

Optimism waned in all of the four largest euro member countries. France once again recording the lowest degree of confidence in the outlook while Spanish firms were the most upbeat.

Encouragingly, expansion plans remained largely unchanged compared to earlier in the year. The number of companies expecting to raise their capital expenditures outnumbered those planning a decline by 11%, identical to the prior net balance seen in February. The percentage of companies planning to take on additional staff meanwhile outnumbered those projecting a decline by 16%, down only marginally from 18% in February.

With employment and capex intentions holding up while expectations of future activity fell, it was perhaps not surprising to see firms' optimism about future profits edge down to the lowest since October 2014.

### Expectations of future business activity



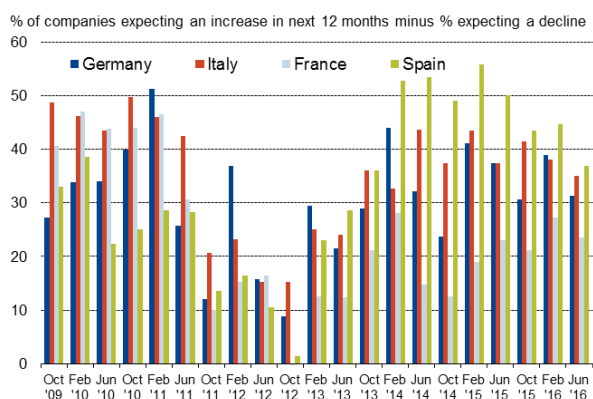
### Rising political risk

The expansion of capacity signalled by the resilient hiring and capex numbers augurs well for the sustainability of the eurozone's recovery. However, the surveys also highlighted widespread worries about rising political risks in the coming year, which pose a significant downside risk to the growth outlook.

By far the most widely cited threat to business growth in the coming year across all euro area countries surveyed was the departure of the UK from the European Union, a source of instability that also caused optimism to fall to a four-year low in the accompanying UK Business Outlook Survey. Outside of the UK, firms in Ireland were the most concerned, with some 45% of survey respondents citing 'Brexit' as a key threat to their future prospects.

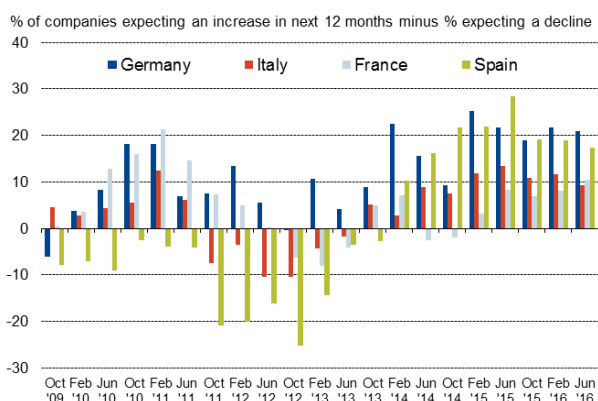
However, political uncertainty extended beyond 'Brexit'. Widespread concerns about political stability in Italy, Germany, France and especially Spain were evident in the survey responses relating to key threats. Worries about the US presidential election outcome were also commonly recorded.

### Big four Eurozone: business activity expectations



Source: Markit.

### Big four Eurozone: employment intentions



Source: Markit.

Commenting on the survey, **Chris Williamson, Markit Chief Economist**, said:

*“The promising brightening of the business mood seen earlier in the year has evaporated amid intensifying political uncertainty.*

*“The disruption of the UK’s referendum on EU membership topped the list of corporate concerns across the euro area, but there’s also widespread worry about political instability within the euro area itself.*

*“Companies are apprehensive about upcoming elections in France and Germany, as well as ongoing political stalemate in Spain and instability in Italy.*

*“There’s clearly a strong risk that the UK’s vote to leave the EU, and potential contagion, will fuel wider political uncertainty in coming months, and economic growth will inevitably suffer in consequence. Policymakers and governments will therefore have their work cut out to maintain business and consumer confidence in what could be a challenging year for Europe.”*

## European Business Outlook Surveys

For further information on the individual countries please use the following links:

[Germany](#)

[France](#)

[Italy](#)

[Spain](#)

[Ireland](#)

[United Kingdom](#)

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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 12,000 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 13-29 June.

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 12,000 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, regional distribution and company size. This panel forms the basis for the survey. The current report is based on responses from around 6,400 firms.

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