

## News Release

**EMBARGOED UNTIL: 09:00 (UK), 16 July 2013**

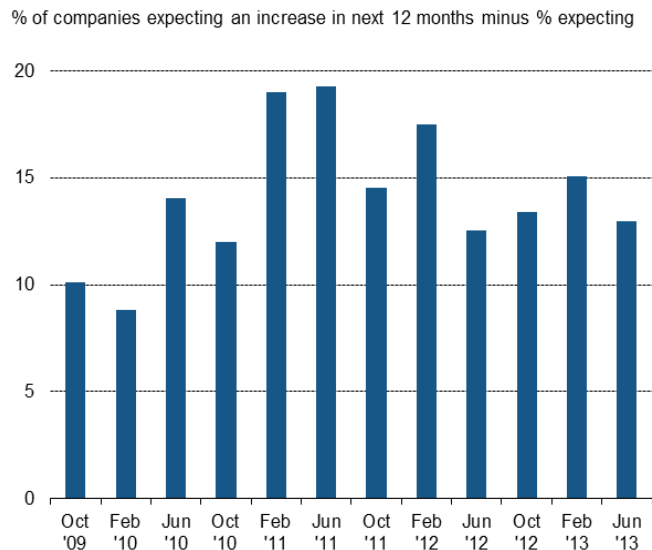
# Markit Global Business Outlook Survey

## UK bucks global trend of falling price pressures

- **UK companies expect to hike prices at fastest rate of all developed countries over the coming year**
- **Further signs of deflation ending in Japan**
- **Eurozone and emerging market price pressures ease**
- **US firms pricing expectations hold at lowest since late-2010**

Data collected 12-26 June 2013

### Global output price intentions



Source: Markit.

An upturn in prices charged for goods and services over the coming year in the UK contrasts with downturns in almost all other developed and emerging countries, according to the 12<sup>th</sup> Markit global survey of business expectations for the year ahead, covering 11,000 companies. The upturn in the UK is expected to take place despite an easing of input cost pressures.

Measured across manufacturing and services, the number of companies globally expecting to raise their

prices exceeded those planning to cut prices by 13% in June, down from a net balance of +15% in the previous survey (conducted in February). In contrast, the net balance rose from +28% to a two-year high of +29% in the UK – a reading exceeded only by Russia and Brazil.

The upturn in the **UK** was driven by the service sector, where the expected increase in prices charged was the highest for two years, offsetting a slight easing in expected price inflation in manufacturing. Both sectors expect input cost inflation to be less steep than the near two-year highs seen earlier in the year.

The survey brought encouraging news for **Japan** – where policy is being targeted at bringing an end to the deflation that has plagued the economy for 20 years. Companies expect to hike prices over the coming year, notably in manufacturing, where the increase was the largest since data were first collected in late-2009.

In the **US**, price pressures were unchanged on the expected rate of increase reported earlier in the year, which had in turn been the lowest since late-2010. Expected growth of input costs also abated compared to earlier in the year.

Price pressures meanwhile look set to ease in the **eurozone**, with the expected increase in prices charged for goods and services dropping to the lowest for a year. The easing reflects lower expected input cost inflation, which fell to a post-crisis low.

However, it was the **emerging markets** – and **China** in particular – where there was an especially marked easing in the rate of growth of selling prices expected over the coming year. Anticipated selling price inflation and input cost inflation each fell to post-crisis lows, both in manufacturing and services.

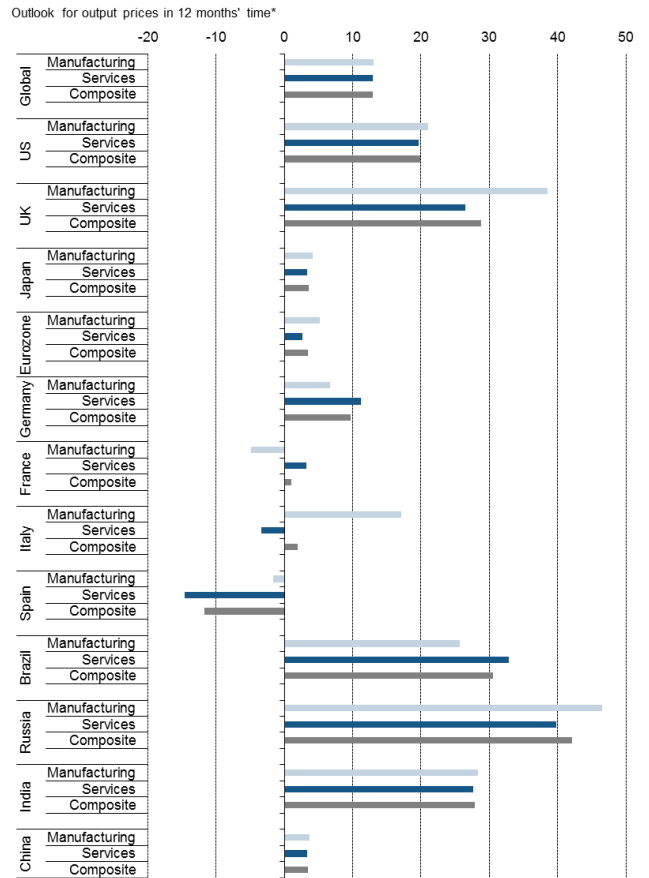
**Comment:**

“Slower global economic growth is translating into lower inflationary pressures. This is most marked in the emerging markets, and especially China, where companies are pricing increasingly competitively in the face of weak demand. The survey also indicates that underlying inflation looks set to remain subdued in the eurozone and US, to the relief of policymakers.

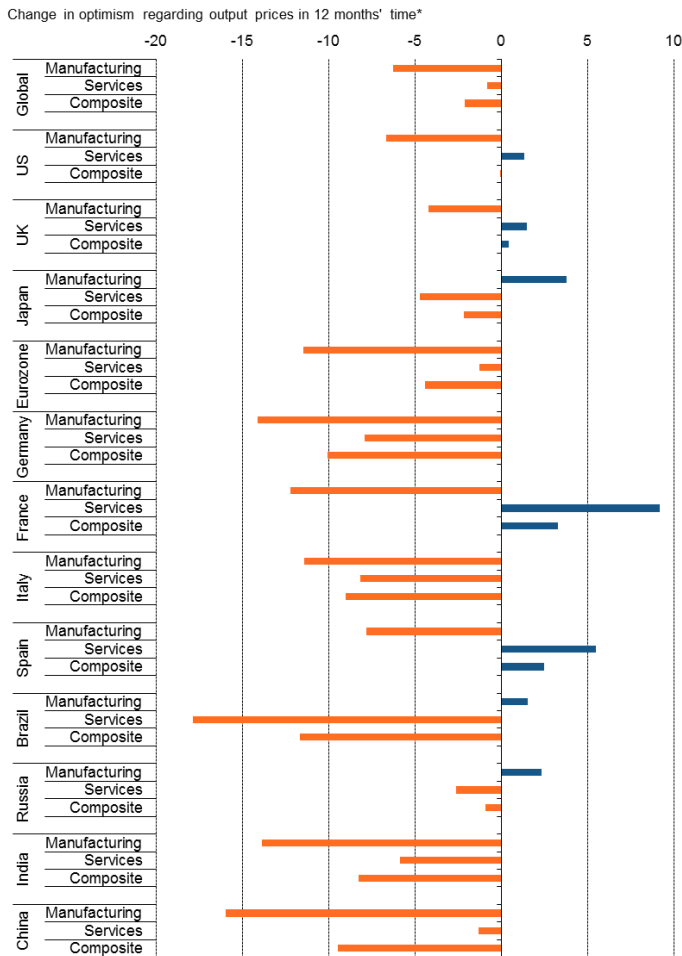
“Policymakers in Japan will meanwhile be pleased to see that the huge stimulus put in place to help beat deflation is showing signs of working, with Japan bucking the global trend in seeing signs of higher selling price inflation.

“The concern is the UK, where above target inflation has been a constant source of weaker than expected economic growth. Stubbornly high inflation has been accompanied by weak pay growth, meaning real incomes are falling and spending power has been hit as a result. The survey results suggest that this is something that is unlikely to end soon, with companies planning to raise prices for goods and services at the fastest rate for two years.”

**Country comparisons**



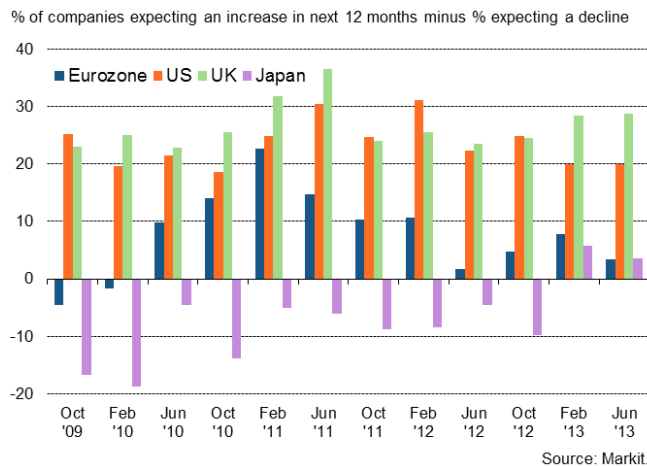
## How output price expectations have changed since February



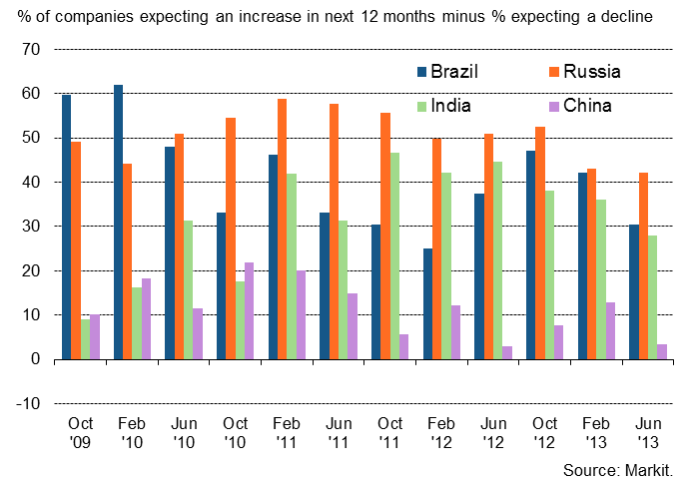
\* chart shows net balance of optimists less pessimists in June compared to net balance in February.

## Long-term trends in expected future output price trends in key economies

### Key developed economies



### Key emerging markets



-Ends-

Full data available on request from  
[electronics@markit.com](mailto:electronics@markit.com)

### Contact Information:

Chris Williamson  
Telephone +44-20-7260-2329  
Mobile: +44-779-5555-061  
mail: [chris.williamson@markit.com](mailto:chris.williamson@markit.com)

Caroline Lumley  
Tel: +44-20-7260-2047  
Mobile: +44-78-1581-2162  
Email: [caroline.lumley@markit.com](mailto:caroline.lumley@markit.com)

### 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 June 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, regional distribution and company size. This panel forms the basis for the survey. The current report is based on responses from around 6,600 firms.

### About Markit

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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](http://www.markit.com/economics).

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