

News Release

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Markit Global Business Outlook Survey: US

Improved business optimism points to strengthening economic upturn in 2013

- **Sentiment regarding activity slightly stronger than in October 2012**
- **Solid confidence at manufacturers and service providers**
- **Uncertainty around economy limits optimism**

The latest Markit Business Outlook survey signals an improvement in prospects among US manufacturers and services companies in early 2013 compared to late last year.

The upturn in business activity is expected to be accompanied by rising employment and investment, but the outlook for corporate profits has weakened to one of the weakest seen since the survey began in 2009. This in part reflects an inability to pass on higher costs in full to customers, highlighting the intensively competitive business environment at home and abroad.

However, in a global survey covering the UK, US, Japan, the four largest eurozone economies and the BRIC region, US firms are the most positive about the outlook for their businesses over the coming year with the sole exception of Brazil.

Optimism picks up in February

The number of companies expecting their business activity levels to rise over the coming year outnumbered those expecting a decline by some 53 percent in February, up from +50 percent last October.

Anecdotal evidence from respondents suggests that improving economic conditions at home and abroad will be the main factors driving business growth over the next 12 months, encouraging the launch of new products, higher capital expenditure and increased job creation. That said, a number of

companies express worries about the future path of the economy, often linked to concerns over the impact of government spending cuts.

Solid optimism is also recorded with respect to business revenues and new orders, with sentiment little-changed since the back end of last year. Weaker optimism regarding profitability is recorded, however, with the net balance of +40 percent the lowest since the October 2011 survey.

Employment set to increase

Expectations of rising workloads are predicted to lead to further job creation, with the number of companies forecasting to take on more staff exceeding those anticipating a reduction by 28 percent. That compares to a figure of +24 percent figure seen back in October.

Cost inflation forecast to strengthen

Companies in the US predict input costs to increase at a faster pace over the coming year, with a net balance of +31 percent the highest for a year. Increased petrol costs are likely to be a key driver of inflation. Output prices are also set to rise but, in contrast to input prices, the net balance has fallen since the previous survey and, at +20 percent, is the lowest since October 2010.

Confidence also picks up globally in February

Improved business sentiment is not confined to the US, with the net balance for activity picking up to +39 percent globally in February, from +30 percent in October. Brazil is the only country to post a more positive outlook than 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.

Comment:

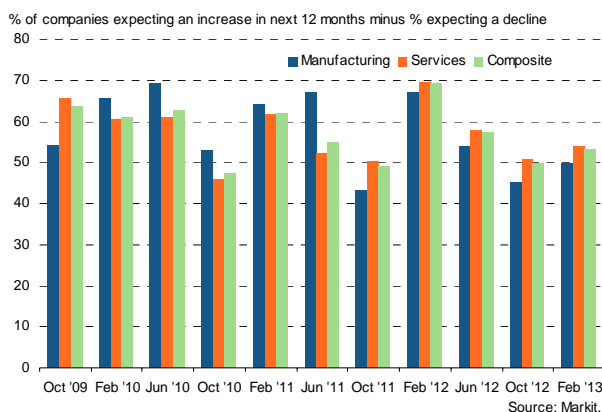
Chris Williamson, Chief Economist at survey compilers Markit:

“The fact that business sentiment has picked up slightly from October provides welcome evidence that the economy is showing resilience in the face of ongoing international economic uncertainty and domestic headwinds from fiscal tightening. That said, it is perhaps not surprising that there still appears to be an element of uncertainty regarding the outlook. Firms’ expansion plans are clearly dependent on the health of the wider economy, and most notably there are concerns over the impact of budget cuts and ‘sequestration’.

“It’s particularly reassuring to see the US remain the most optimistic developed country monitored by the global outlook survey, with sentiment much stronger than seen in Europe and Japan, and even higher than across the BRICs as a whole.

“Cost pressures are set to strengthen over the coming year, with the expected rise in input prices one of the highest in the series history. However, companies seem prepared to absorb rising costs in to their profits margins, suggesting a limited feed-through to core consumer price inflation.”

Expected activity levels in 12 months’ time



Overview of data:

US composite

	Jun-12	Oct-12	Feb-13
Business Activity	+57	+50	+53
Business Revenues	+55	+50	+50
New Orders	+49	+48	+47
Profits	+52	+47	+40
Employment	+29	+24	+28
Capital Expenditure	+21	+14	+17
Input Prices	+22	+23	+31
Output Prices	+22	+25	+20

US manufacturing sector

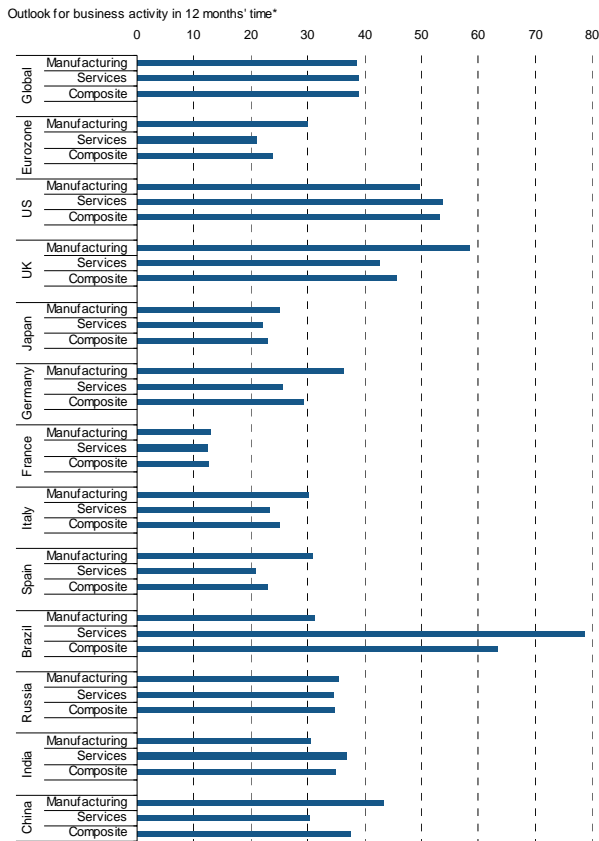
	Jun-12	Oct-12	Feb-13
Business Activity	+54	+45	+50
Business Revenues	+53	+45	+48
New Orders	+50	+43	+47
Profits	+52	+44	+45
Employment	+34	+24	+30
Capacity Utilisation	+33	+22	+35
Capital Expenditure	+22	+14	+28
R&D Expenditure	+25	+11	+22
Input Prices	+36	+31	+32
Output Prices	+35	+32	+28
Inventory: Output Ratio	+17	+7	+7

US service sector

	Jun-12	Oct-12	Feb-13
Business Activity	+58	+51	+54
Business Revenues	+55	+51	+50
New Orders	+49	+49	+47
Profits	+52	+48	+39
Employment	+28	+24	+27
Capital Expenditure	+20	+14	+15
Outsourcing	+14	+9	+8
Input Prices	+19	+21	+30
Output Prices	+20	+23	+18
Staff Costs	+17	+22	+19
Service Costs	+12	+11	+8
Non-Staff Costs	+17	+14	+18

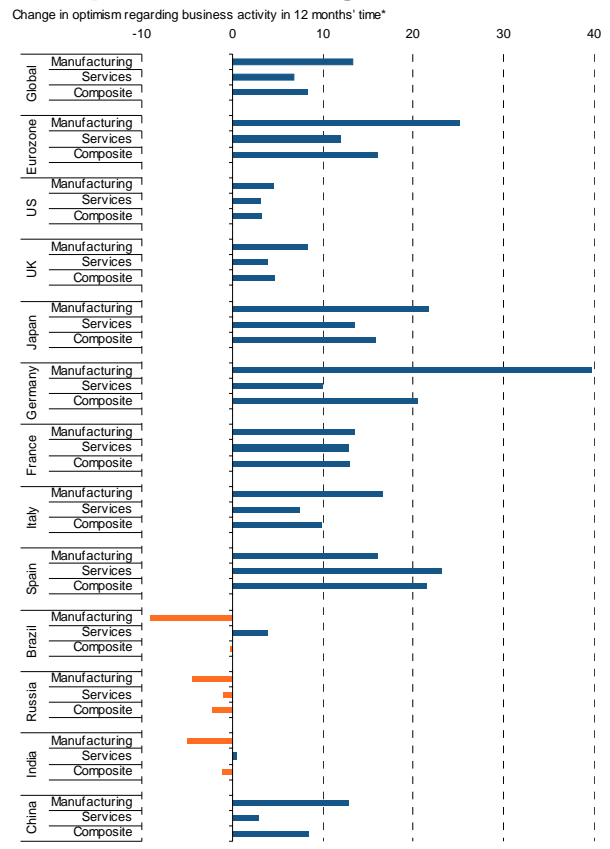
All figures are net balances (percent expecting a rise minus percent expecting a decline)

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

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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

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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.

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