

## News Release

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# Markit Global Business Outlook Survey

## Developed world set to lead strengthening global upturn in 2014

- **Global business optimism hits two-year high**
- **Improved outlook in the developed world counters ongoing languor in emerging markets**
- **Investment and employment intentions rise to post-crisis highs**
- **UK leads major developed economies in outlook for growth, hiring, investment & profits**

Data collected 12-26 February 2014

The latest Markit Global Business Outlook Survey, conducted in February and based on responses from a panel of 11,000 companies, showed the highest degree of business optimism for two years. However, improving confidence and post-crisis high capex and hiring intentions in the developed world contrast markedly with ongoing downbeat expectations for the year ahead across the emerging markets.

Companies' expectations about business activity growth in the year ahead rose sharply in the US, eurozone and UK compared to late last year. Hiring and capex intentions also picked up in all three cases.

The **UK** was particularly notable with optimism reaching a post-crisis high and exceeding that of all major developed and emerging economies with the exception of Brazil, where the upcoming soccer World Cup and Olympics have buoyed the mood among businesses. Capital expenditure and employment intentions were also at post-crisis highs in the UK, likewise beating all other major countries except Brazil, while record high profit expectations beat all other countries.

With recent disappointing data raising concerns that the **US** economy may be slowing, the survey provided a reassuring signal that the economy will regain

momentum. US companies were the most upbeat about future business activity levels since the start of 2013. Hiring intentions were also the highest for a year, while capex is set to show the largest increase seen since data were first collected in late-2009.

Optimism in the **eurozone** sprang to its highest for three years, with stronger growth of business activity driving up both hiring and capex intentions. However, across the single currency area as a whole, the degree of optimism continued to lag behind that seen in the UK and US. The business mood nevertheless brightened in three of the four largest euro nations, led by a post-crisis high in Spain, followed by Germany, where optimism hit a three-year peak. French firms reported the brightest outlook since mid-2011. In Italy, optimism slipped slightly from a two-year peak seen at the end of 2013.

In **Japan**, business confidence about future activity levels was unchanged compared to late last year, when it had sunk to its lowest since late-2012. The data suggest that the initial euphoria surrounding "Abenomics" has waned, especially as companies face the prospect of a sales tax hike in April. However, the underlying picture is more encouraging, as hiring and capex intentions both rose to post-crisis highs, suggesting companies remain in expansion mode.

Across the BRIC economies as a whole, in contrast, business optimism has barely moved since sliding to a survey low in mid-2013. The latest survey in fact saw new all-time lows in both **Russia** and **India**. Confidence also fell back in Brazil, albeit remaining higher than in any other major economy, but some improvement was seen in **China**.

However, in all cases, emerging market companies are on average far less optimistic about future business activity growth, capex and hiring that they were even at

the height of the financial crisis in 2009, when optimism had shown surprising resilience.

The survey also showed that companies globally are expecting to raise their selling prices to the greatest extent since mid-2011, providing evidence to allay worries about deflation in many developed economies.

Brazilian firms reported the highest price selling expectations, followed by UK companies, the latter seeing the highest inflationary predictions since data were first collected in late-2009.

Selling price expectations also picked up in the US, Japan and the eurozone. While the single currency area saw only a modest upturn in price expectations, larger improvements were seen in the US and Japan, the latter rising to a survey high.

### Comment:

**Chris Williamson, Chief Economist at Markit, said:**

*“The outlook survey will provide reassurance to policymakers that economic growth trends in the major developed countries remain firmly upwards. Recoveries in the US, eurozone, UK and Japan are looking increasingly sustainable, with companies set to boost their capital spending and hiring at the fastest rates since the financial crisis alongside the brighter outlook.”*

*“In the US, the survey adds weight to the view that the recent slew of disappointing data has been due primarily to the bad weather, and businesses are expecting growth to revive again as we go through the year.”*

*“The UK’s growth surge meanwhile shows no sign of abating, with business intentions for the year ahead not only the highest seen over the past five years but also higher than any other major developed country. Most encouraging is the indication that companies are ramping up their investment spending alongside increased hiring.”*

*“Policymakers worried about deflation will meanwhile be comforted by the upturn in firms’ pricing intentions, especially in Japan, where the outlook for prices is, by a wide margin, the strongest seen over the survey’s history and staff costs are also set to rise sharply.”*

*“The survey therefore suggests that 2014 will be a strong year for the main developed economies, adding to calls for policy tightening in the US and UK and reducing the need for further stimulus in Japan and the euro area.”*

*“It’s a different picture in the emerging markets, however, where the survey suggests we should not be expecting pre-crisis economic growth rates to return any time soon. Instead, policies are likely to be needed to revitalise growth in key emerging markets, especially if liquidity is drained from the financial system.”*

## Key survey findings for major countries:

### Eurozone

- Highest business optimism for three years
- Manufacturers and service providers both forecast stronger growth of business activity
- Employment expectations also improve. Job hiring intentions strongest since February 2011
- Output prices set to increase at sharpest rate since mid-2011, reflecting faster rise in input costs
- Capex optimism strengthens but still weak by global standards

### US

- Sentiment regarding future business activity rises to one-year high
- Strong rates of growth anticipated in both manufacturing and service sectors, in each case above global averages
- Capital expenditure set to rise at strongest rate predicted since start of survey in late-2009, supported by improved outlook for profits
- Expected rate of job creation fastest since early-2013
- Price expectations strengthen, with input and output prices both set to rise at sharper rates

### UK

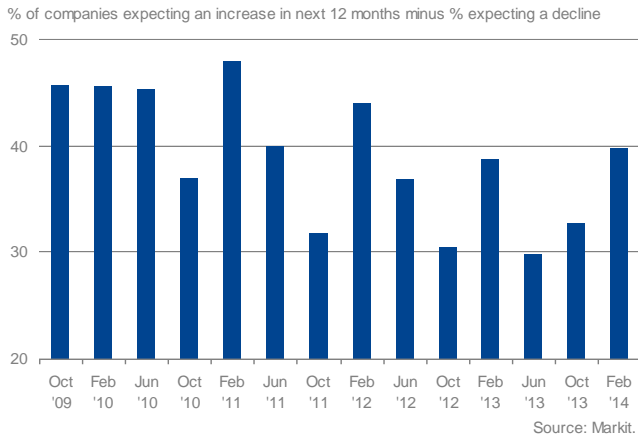
- Companies’ optimism about year-ahead outlook rose to a post crisis-high. New highs were seen in both manufacturing and services, with the former the more upbeat
- Hiring intentions and planned capital expenditure also rose to new post-crisis highs in both manufacturing and services
- Firms expect to hike selling prices to the greatest extent since the financial crisis. However, expected inflation of input costs moderated compared to the two-and-a-half year high seen late last year
- Rising business activity and higher selling prices mean companies expect profits to rise to the greatest extent seen since the survey began in late-2009

### Japan

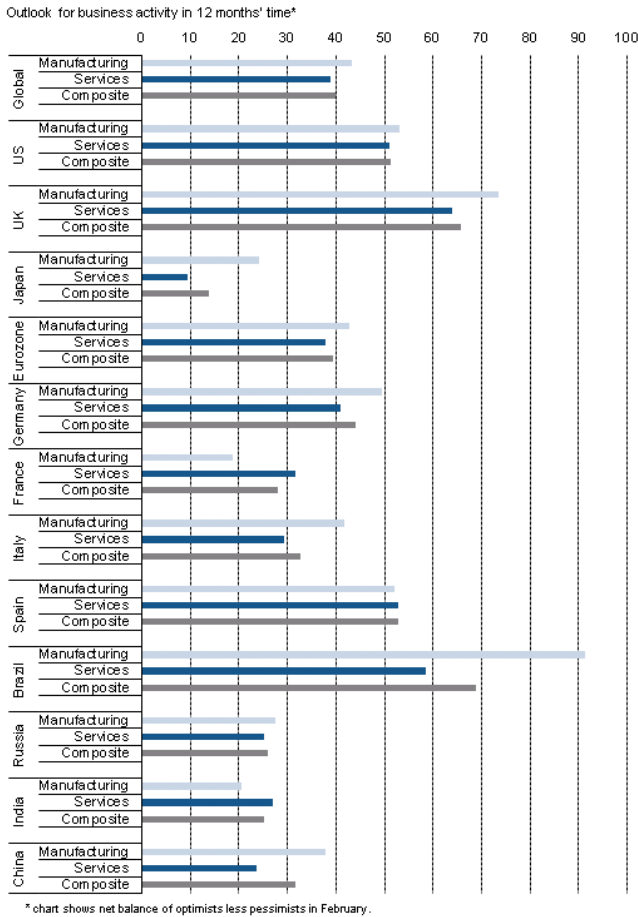
- Confidence regarding future business activity unchanged from levels seen in late-2013. Weakest sentiment among all major economies
- Service providers’ confidence remains notably subdued
- Employment and capex predictions both improve to survey-highs
- Price expectations strengthen, with input costs and output charges both forecast to increase at strongest rates forecast to date.
- Staff costs set to rise at fastest rate in survey history

## Business activity in the year ahead

### Global business activity expectations

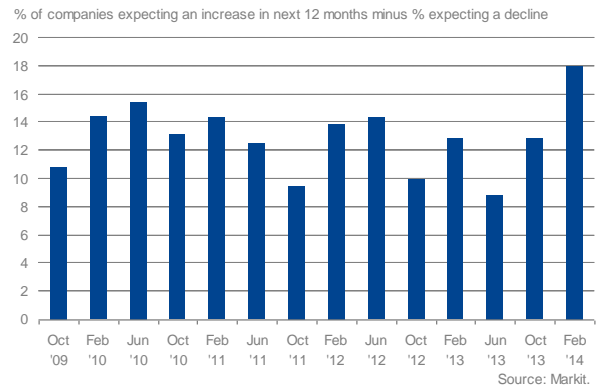


### Business activity expectations (February 2014)

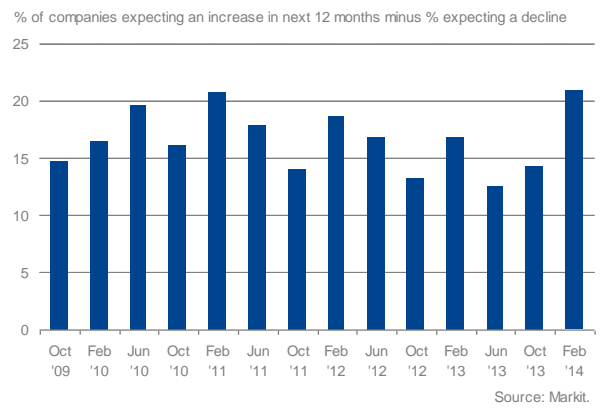


The Business Outlook survey uses net balances to indicate the degree of future optimism or pessimism for each of the survey variables. These net balances vary between -100 and 100, with a value of 0.0 signalling a neutral outlook for the coming twelve months. Values above 0.0 indicate optimism amongst 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.

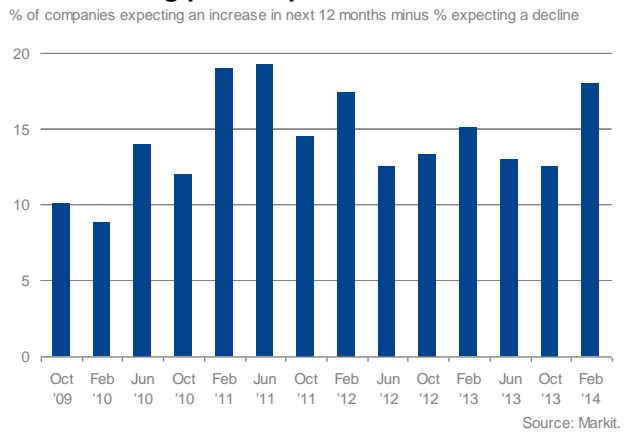
### Global capex intentions



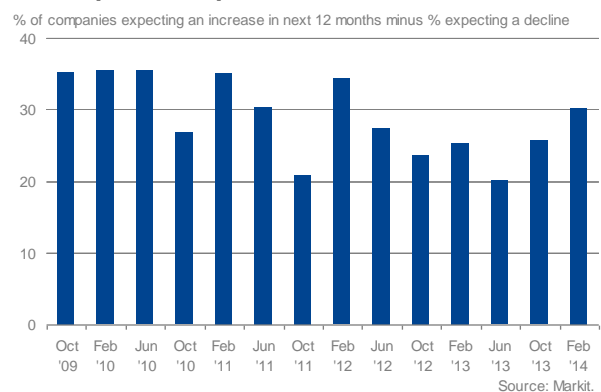
### Global employment intentions



### Global selling price expectations

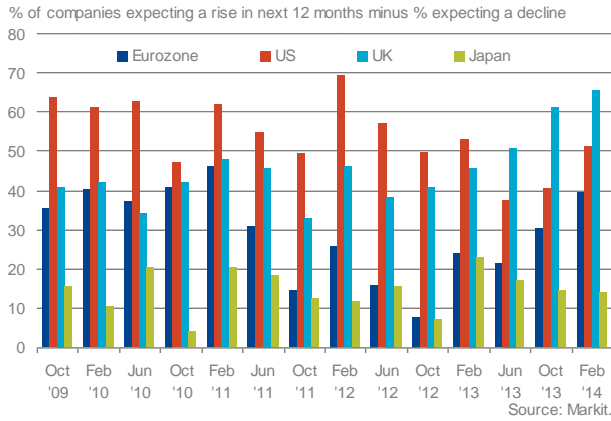


### Global profits expectations

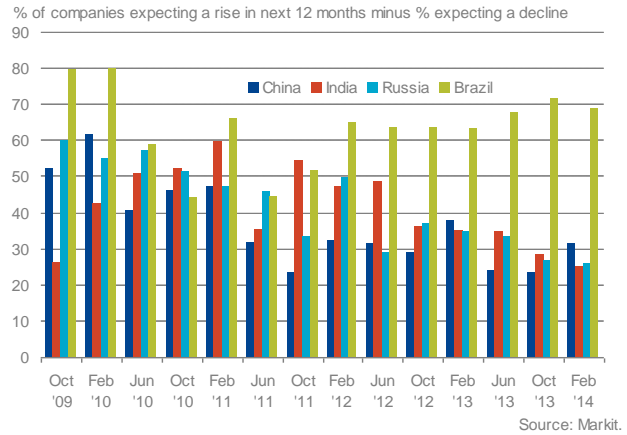


## Expectations for the year ahead in key economies

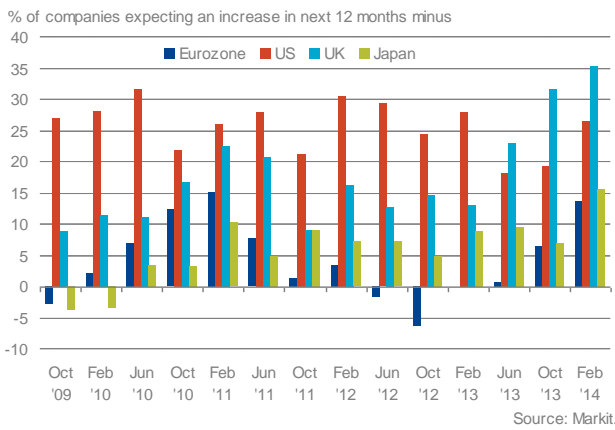
### Future business activity in developed economies



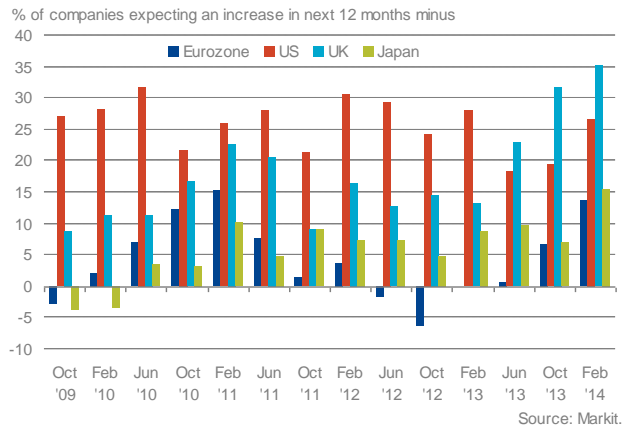
### Future business activity in emerging markets



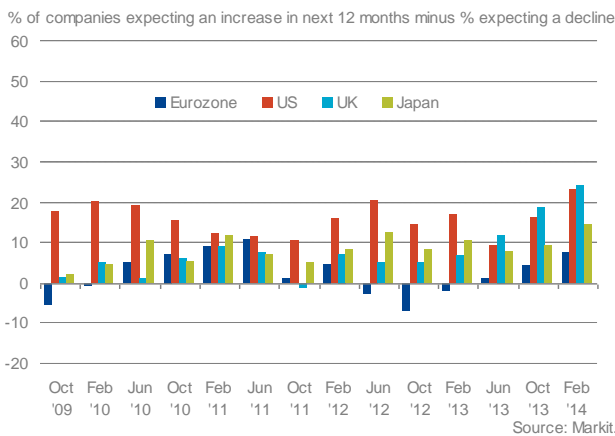
### Future employment in developed economies



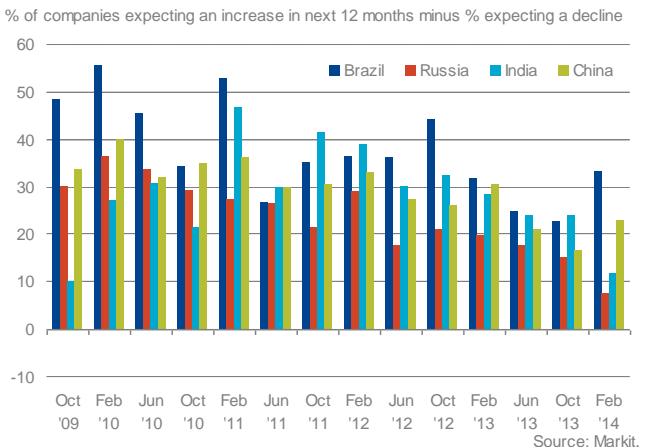
### Future employment in emerging markets



### Future capex in developed economies



### Future capex in emerging markets



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Full data available on request from [economics@markit.com](mailto: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, 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.

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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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