

## News Release

**EMBARGOED UNTIL: 00:01 (UK), 18 March 2013**

### Markit Global Business Outlook Survey: UK

#### **Business mood brightest since early 2012, led by manufacturing**

- **Growth in export markets remains one of the key opportunities for business expansion**
- **Confidence at UK companies higher than global average**
- **Employment plans in the UK decline slightly**

UK business confidence has picked up compared to late last year, according to the latest Markit Business Outlook Survey. Growth in export markets and improving economic conditions at home are cited as key factors driving improved optimism about the outlook, encouraging increasing numbers of firms to launch new products and boost investment.

Firms in the UK are the most optimistic across all major EU economies. Confidence in the UK also remains above the global average.

Nevertheless, some companies reported that economic uncertainty and rising raw material prices were barriers to further growth. Competition from low cost economies and the impact of global players were also among the factors weighing on confidence. Expected growth of employment has slipped compared to the previous survey as a result, and the number of companies expecting to boost capex remains very subdued, albeit up on late last year.

#### **Business confidence increases in the UK and in the rest of Europe during February**

The net balance of companies forecasting a rise in business activity in 12 months' time stands at +46 percent, up from +41 percent late last year, and is the joint-highest seen over the past two years, with manufacturing hitting a new two-year high. Manufacturers in the UK are the most optimistic about activity growth of all developed countries covered by the global outlook survey.

Sentiment in Europe has increased markedly since October, with growing confidence across all major eurozone countries. Confidence is remarkably high in Ireland and has increased solidly in Germany and Spain. Companies across Europe expect to see improvements among all key barometers of corporate health, such as revenues, new business and profits.

#### **Expected growth of employment slips**

Expectations about employment growth have slipped compared to the previous survey. Rising workforce numbers are forecasted by +13 percent of firms, down from +15 percent in October. Although down on late last year, the expected increase in employment seen in the UK contrasts with further job cutting in France, Italy and Spain.

Profits are also expected to increase over the next 12 months, although the degree of optimism is up only slightly on late last year. Nevertheless, the overall degree of optimism regarding profits is the highest seen for all major developed countries covered by the survey with the exception of the US (and highest in the case of manufacturing).

#### **Companies to raise their output charges in response to expected sharp rise in costs**

UK companies expect to hike prices to a greater extent than any other major developed country, reflecting in part higher expected input cost inflation than any other developed market. The net balance of firms forecasting a rise in input costs is +47 percent, the highest since June 2011. In response to higher input prices, companies are set to raise their output charges over the next 12 months to the greatest extent for a year and a half.

The number of companies expecting to boost capital expenditure remains very subdued, up on the eurozone average but well below the US.

## Upturn in UK sentiment in line with improving global trend

Data from the global level suggests an increase in confidence among most nations. Activity growth is expected by a net balance of +39 percent of private sector firms, up from +30 percent last October. Confidence among US companies is again among the highest, but relatively weak in the context of historical data. Out of the BRIC economies, firms in Brazil continue to be by far the most optimistic in terms of growth expectations. However, of the four, it is only China that saw confidence improve on late last year.

### Comment:

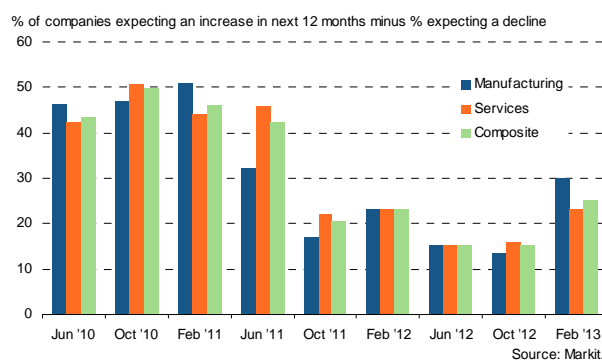
**Oliver Kolodseike, Economist at survey compilers Markit:**

*“UK companies have become more upbeat in 2013 compared to late last year, especially in manufacturing, where firms are the most optimistic of all major developed countries, benefitting from the combination of an improved international environment and a weaker pound.”*

*“Profits are set to rise, but many firms remain reticent to make investments and take on more staff due in many cases to lingering doubts about the sustainability of any upturn.”*

*“The survey also suggests that inflationary pressures are set to persist throughout the year. The main piece of good news, though, is that the economy is gaining some momentum and, encouragingly, the improved mood in manufacturing keeps hopes alive that we are also seeing some signs of rebalancing.”*

## Expected activity levels in 12 months' time



## Overview of data:

### UK all-sectors

	Jun-12	Oct-12	Feb-13
Business Activity	+38	+41	+46
Business Revenues	+32	+39	+38
New Orders	+39	+39	+46
Profits	+28	+29	+31
Employment	+13	+15	+13
Capital Expenditure	+5	+5	+7
Input Prices	+39	+40	+47
Output Prices	+24	+24	+28

### UK manufacturing sector

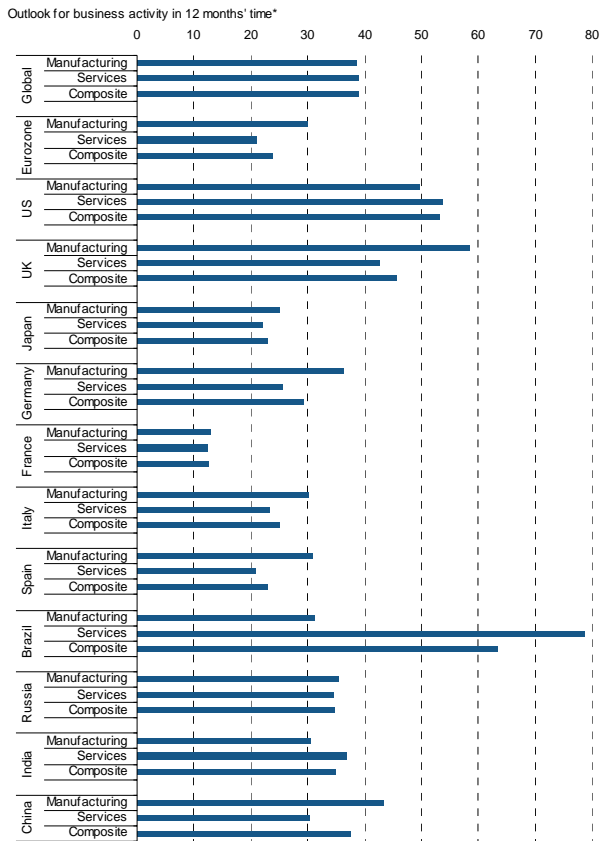
	Jun-12	Oct-12	Feb-13
Business Activity	+46	+50	+59
Business Revenues	+42	+49	+52
New Orders	+47	+51	+59
Profits	+40	+40	+48
Employment	+14	+11	+16
Capacity Utilisation	+36	+43	+43
Capital Expenditure	8	+16	+13
R&D Expenditure	+13	+17	+15
Input Prices	+32	+37	+46
Output Prices	+28	+37	+43
Inventory: Output Ratio	-9	-18	-12

### UK service sector

	Jun-12	Oct-12	Feb-13
Business Activity	+36	+39	+43
Business Revenues	+30	+37	+34
New Orders	+38	+36	+43
Profits	+25	+27	+27
Employment	+12	+16	+13
Capital Expenditure	+4	+3	+5
Outsourcing	+4	+7	+2
Input Prices	+41	+41	+47
Output Prices	+22	+21	+25
Staff Costs	+44	+39	+45
Service Costs	+21	+21	+18
Non-Staff Costs	+24	+27	+22

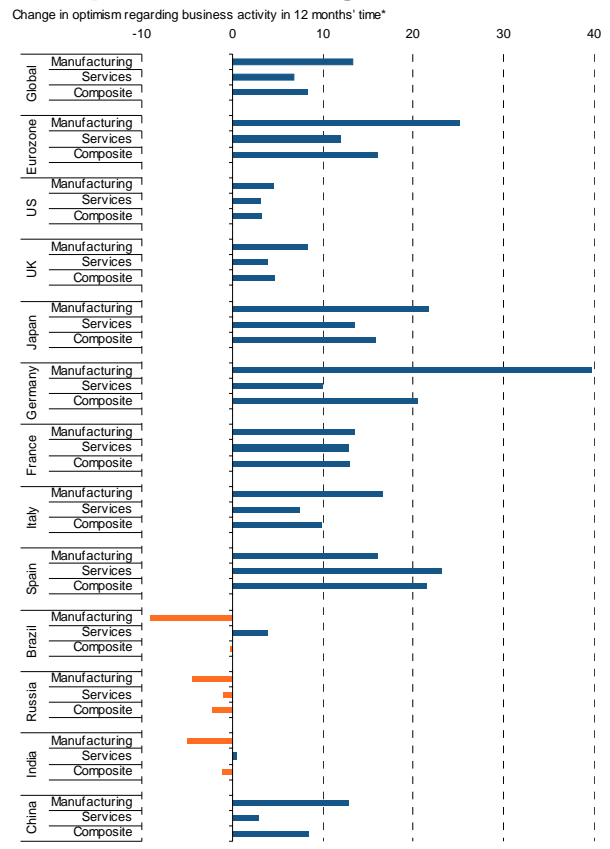
All figures are net balances (percent expecting a rise minus percent expecting a decline)

## 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](mailto:economics@markit.com)

**-Ends-**

### Contact information:

#### Markit Press Office

Caroline Lumley, Corporate Communications  
 Telephone +44-20-7260-2047  
 Mobile +44-7815-812-162  
 Email [caroline.lumley@markit.com](mailto:caroline.lumley@markit.com)

Oliver Kolodseike, Economist  
 Telephone +44-1491-461003  
 Email [oliver.kolodseike@markit.com](mailto:oliver.kolodseike@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 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](http://www.markit.com/economics).

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