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News Release

EMBARGOED UNTIL: 00:01 (UK), 15 July 2013

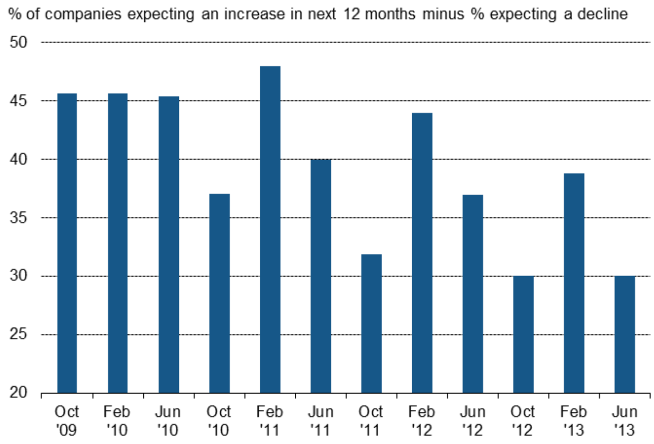
Markit Global Business Outlook Survey

Worldwide business confidence falls back to post-crisis low

- **Optimism regarding future business activity joint-lowest in survey history**
- **US and China post sharp declines in confidence**
- **UK bucks trend as sentiment jumps to record high**

Data collected 12-26 June 2013

Global business activity future expectations



Source: Markit.

The 12th Markit global survey of business expectations for the year ahead, covering 11,000 companies, found that the outlook has darkened compared to earlier in the year, dropping back to the post-crisis low level of optimism seen late last year.

The net balance of companies expecting their business activity levels to rise over the coming year minus those expecting a fall worsened in June, down to +30% from +39% in February. That was the lowest reading seen since comparable data were first available in late 2009, when the global economy was pulling out of recession, with the exception of an identical reading of +30% seen last October.

The deterioration was largely driven by sharply lower levels of business optimism in the US and China, alongside smaller deteriorations in expectations for the year ahead in the eurozone and Japan.

The most notable exception among the world's largest emerging and advanced economies was the UK, where confidence about business activity levels in the year ahead soared to the highest seen since the financial crisis, exceeding all other countries with the sole exception of Brazil, which likewise saw improved optimism compared with earlier in the year.

In the **United Kingdom**, service sector firms were the most optimistic about the outlook for business activity than at any time since the autumn of 2006 – before the financial crisis struck. In manufacturing, optimism about business activity levels held steady at a two-year high, though the outlook for business revenues, inflows of new business and profits all improved to the highest for at least three years.

In the **United States**, optimism about future activity levels showed similar steep falls to post-crisis lows in both manufacturing and services. Gauges of optimism about future business revenues, inflows of new business and profits all likewise fell to new post-crisis lows in both sectors.

The deterioration in confidence in **China** was driven by service providers becoming the least optimistic since late-2007, meaning optimism in the sector is even weaker than at the height of the global financial crisis. The country's manufacturers also become far less optimistic than earlier in the year, though confidence merely fell back to its lowest since October 2011 and remained far higher than at the height of the financial crisis.

Views on future business revenues, new business inflows and profits all deteriorated compared to earlier in the year in China.

Optimism about future business activity showed more resilience in other major emerging markets, although only **Brazil** saw an improvement. **Indian** companies' expectations held steady on the three-and-a-half year low seen in February, while **Russian** firms' optimism dipped only slightly, though remained close to post-crisis lows.

In **Japan**, the major lift to business confidence received from 'Abenomics' showed some signs of waning, with optimism dipping slightly on the post-crisis high seen earlier in the year, though remained elevated compared to the previous two years. The deterioration was largely linked to service providers being less upbeat than at the start of the year. Manufacturing sector confidence picked up marginally.

In the **eurozone**, business optimism slipped from the one-year high seen in February but remained well above the low seen late last year. Among the four largest euro countries, optimism dipped in Germany, France and Italy but rose to the highest for over two years in Spain. While Spanish firms were the most optimistic among the four largest member states, French firms were the least upbeat, as has been the case since late last year.

Across the eurozone as a whole, service sector optimism about activity over the coming year was unchanged from February, holding well above the levels seen in summer and autumn last year. Modest upturns in confidence in Spain and France contrasted with modest downturns in Germany and Italy.

Greater variations were seen in eurozone manufacturing, where a sharp downturn in optimism about future activity reflected markedly less upbeat German producers and a milder downturn in France. In contrast, manufacturing optimism picked up further in Spain and Italy.

Comment:

"The global economy is clearly in a soft-patch again, largely reflecting darker outlooks in the US and China.

"The deterioration in business optimism in the US suggests the pace of economic growth is slowing sharply compared to that seen earlier in the year and calls into question the ability of the economy to continue generating jobs at anything like the pace seen in recent months. Any thoughts of an imminent tapering of the Fed's stimulus are looking premature on this basis.

"The UK, on the other hand, is undergoing a period of solid and increasingly sustainable-looking economic growth. Expansion is being led by the service sector, where business optimism has surged to the highest since late-2006. Even manufacturing is seeing the brightest outlook for two years. Exporters are benefitting from sterling's depreciation, which is offsetting worries about slower growth in many key export markets.

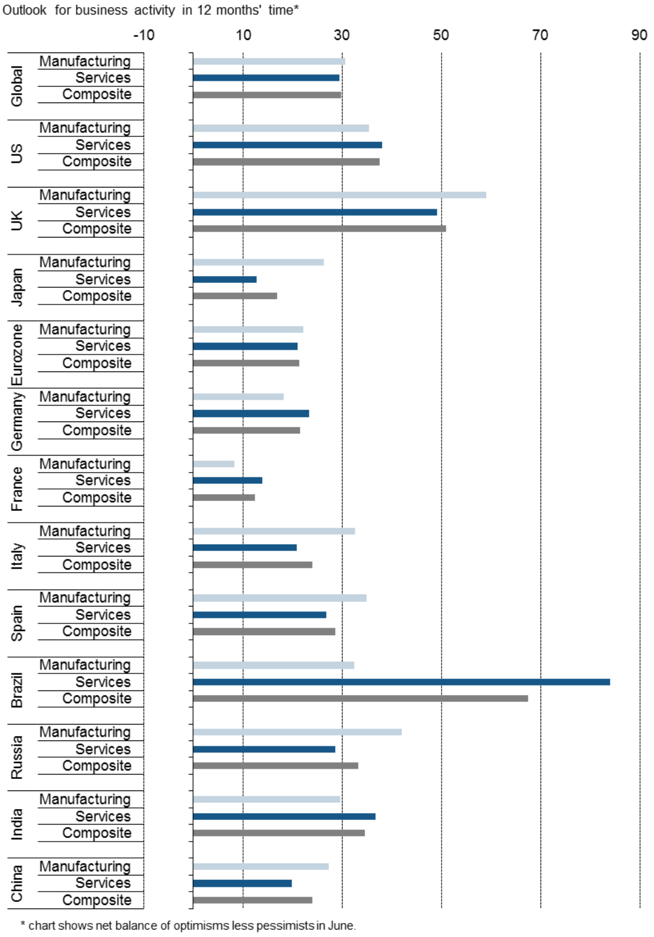
"Business confidence meanwhile remains high in Japan, having pulled back only slightly since the wave of 'Abenomics'-fuelled optimism seen at the start of the year. Exporters, aided by the steep depreciation of the yen, are especially upbeat about future prospects.

"The eurozone remains a weak spot in the global picture, though far less so than late last year. However, while there are signs of rising optimism in the periphery, notably Spain and Ireland, the mood in France and Germany remains subdued compared to earlier in the recovery, which will restrain the overall pace of economic recovery for the region."

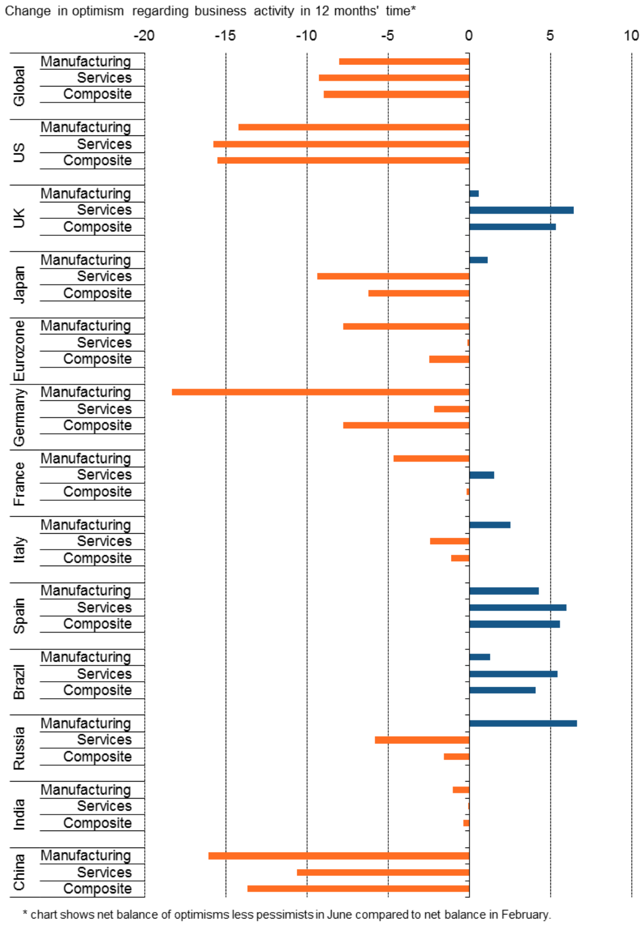
Chris Williamson, Chief Economist, Markit

Country comparisons

Business optimism in June

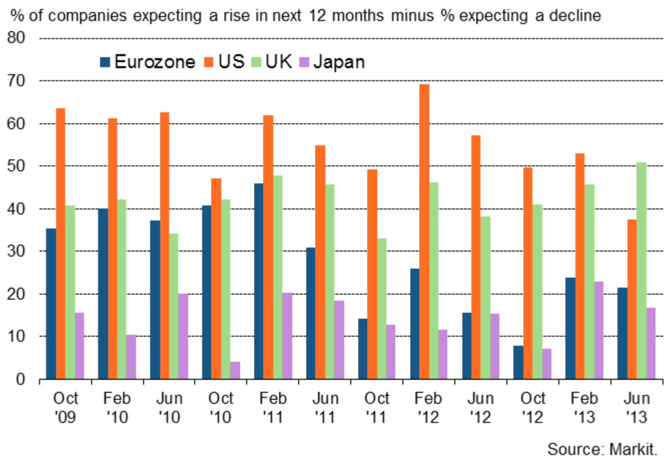


How business activity expectations have changed since February

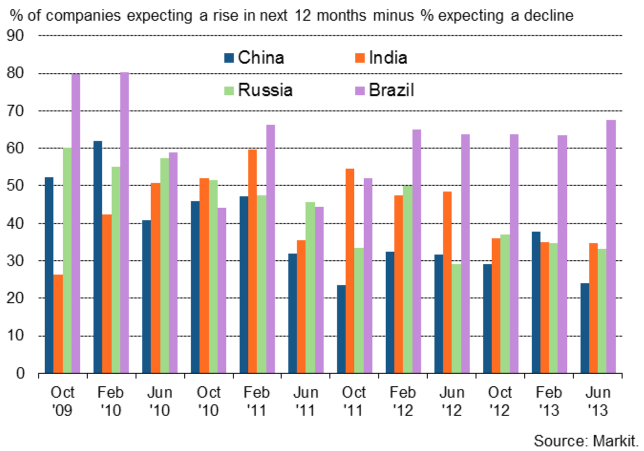


Long-term trends in expected future business activity levels in key economies

Key developed economies



Key emerging markets



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Full data available on request from
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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 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

Markit is a leading, global financial information services company with over 2,800 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information, see www.markit.com.

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.