

## News Release

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

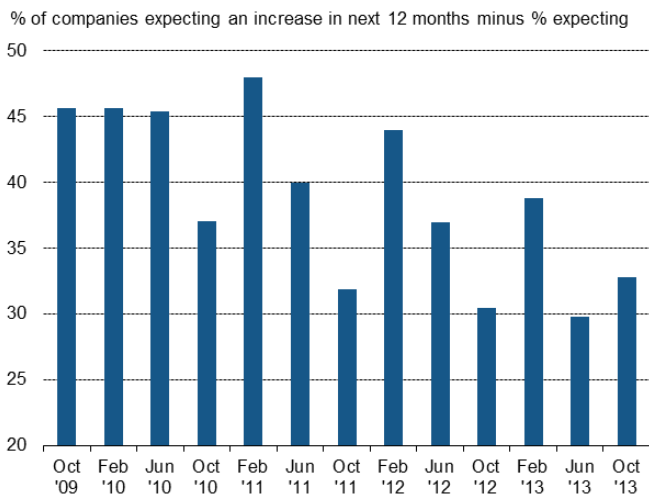
# Markit Global Business Outlook Survey

## Worldwide business confidence lifts from post-crisis low

- **Optimism regarding business activity in the coming year rose from the survey low seen in June but points to weak economic growth**
- **UK leads developed world upturn, sentiment rises in eurozone and US but slips in Japan**
- **Brazil bucks emerging market doldrums, amid near-record low optimism seen in India and Russia**

Data collected 12-31 October 2013

### Global business activity future expectations



Source: Markit.

The 13<sup>th</sup> Markit global survey of business expectations for the year ahead, covering 11,000 companies, indicated that firms have become more upbeat about their business prospects since the post-crisis low seen mid-year, resulting in higher expectations about employment and investment. However, optimism remains well below the highs seen earlier in the recovery, indicating that global economic growth is likely to remain subdued in the coming year.

The number of companies expecting their business activity levels to rise in the next 12 months outnumbered those anticipating a decline by +33%, up from +30% in June but below the +39% reading seen in February.

Improving prospects for the developed world contrasted with still-low levels of confidence about the year ahead in the emerging markets.

Among the developed world, the upturn in confidence was led by the UK, where the outlook is the brightest seen since the survey began in early-2009. Optimism also improved in the eurozone, hitting its highest since mid-2011, notably improving in the 'periphery'.

Confidence also picked up in the US, though rose only slightly from the post-crisis low seen in June to suggest that companies remain far less optimistic than this time last year.

In Japan, optimism remained weak, and slipped compared to mid-year, suggesting companies are unconvinced that the recent growth spurt is turning into a sustainable and robust upturn, in many cases harbouring concerns about growth prospects in other Asian countries, especially China. However, price pressures are set to improve, with input costs and output charges both rising at slightly faster rates.

Prospects among the four largest emerging markets remained unchanged on the post-crisis low seen in the mid-year survey. Both India and Russia saw optimism slide, while China's outlook failed to improve on the low seen in the summer. Only Brazil saw business sentiment improve, reaching a new post-crisis high, buoyed by optimism about the positive impact of the soccer World Cup and Olympics.

## Comment:

*“Worldwide business confidence has picked up from the post-crisis low seen at mid-year, but remains subdued, suggesting global economic growth will remain lacklustre as we move into 2014.*

*“The UK is the leading light among the developed world’s largest economies, by a significant margin, suggesting the pace of UK economic growth will continue to outpace that of its western peers.*

*“The eurozone is also set to continue its modest recovery, with particularly welcome upturns in sentiment in the region’s periphery accompanying an improved outlook in the core.*

*“The euro area is nevertheless set to act as a dampener on global growth in 2014, expanding at a sub-trend pace, as will the emerging markets. Only Brazil showed improved optimism, and even there the survey suggests the upturn could prove short-lived. Confidence is meanwhile running at post-crisis lows in China, India and Russia, highlighting a risk of even weaker emerging world economic growth in 2014.*

*“An upturn in US business optimism is welcome news, but the outlook is only slightly brighter than the post-crisis low seen at mid-year. Companies continue to fret about further disruption from unresolved fiscal issues, and are still particularly cautious about committing to hiring in this uncertain environment.*

*“The sustained robustness of Japan’s recovery also has a question mark hanging over it, as businesses became less optimistic about the outlook. The data highlight the need for Japan’s government to make faster progress with its ‘third-arrow’ of structural reform.”*

**Chris Williamson, Chief Economist, Markit**

## UK companies’ optimism at record high

Firms in the **United Kingdom** were the most upbeat about business prospects since UK survey data were first collected nearly eight years ago. Record highs were seen for expectations regarding business activity, new orders, business revenues, profits, employment and capital expenditure. Among the developed countries surveyed, the outlook for employment and capex in the UK was exceeded only by that seen in Ireland.

UK firms attributed the upturn to improving economic conditions at home and abroad, especially in the eurozone, which accounts for almost half of all UK trade. New product launches and rising consumer confidence were inspiring companies to take on more staff and make investments in plant and machinery.

Manufacturing and services companies were both increasingly optimistic about prospects for the year ahead, though the former showed the greater optimism, often linked to improving export prospects.

However, UK firms expect cost pressures to rise to a greater extent than in any other major economy, with expected rises in energy, fuel and staffing costs widely reported.

## US companies remain cautious, especially in relation to hiring

In the **United States**, business confidence about the year ahead was the second-lowest seen since the financial crisis, up only slightly on the low seen in June but above the global average. Optimism edged up slightly in both manufacturing and services but remained subdued. Companies again fretted about the impact of the ongoing uncertainty surrounding the government budget.

Worries about the outlook meant employment intentions were only marginally higher than the survey low seen in June, though capex plans recovered to a slightly greater extent.

Price pressures were meanwhile expected to be the lowest seen in the survey’s four-year history, however, both in terms of firms’ costs and their selling prices, often linked to lower energy prices.

## Eurozone buoyed by broad-based upturn

Business optimism picked up across the **euro area**, hitting the highest since mid-2011 in relation to expectations about business revenues, employment and profits. However, in all cases, optimism remained below the global averages.

Confidence about activity in the year ahead rose in all four largest economies, with **Spain** and **Italy** reporting a higher degree of optimism than **Germany** and **France**, the latter seeing the weakest positive sentiment.

Employment intentions were the most buoyant in Germany, while only Spain reported an expected

decline in staffing levels, albeit to the weakest extent in the past three years.

### Optimism on the wane in Japan

Japanese companies grew less optimistic about the outlook for the year ahead, with confidence regarding business activity levels down to its lowest since late-2012. Optimism dipped in both manufacturing and services, commonly attributed to worries about the impact of the forthcoming sales tax increase, slower growth in neighbouring countries and trade partners.

Employment expectations fell from the joint-survey high seen at mid-year, down to the lowest since mid-2011 in services but picking up in manufacturing.

Plans for raising prices meanwhile rose back to the post-crisis high seen at the start of the year, but so did expectations for input costs, linked in part to high energy prices.

### Brazil heads optimism ranking

**Brazil** was the only one of the four largest 'BRIC' emerging markets to see businesses becoming more optimistic about the year ahead, registering the greatest degree of optimism of all countries surveyed. Buoyed by expectations of higher growth due to the World Cup and Olympics, and a more beneficial exchange rate, optimism about business activity rose to the highest since early-2010.

However, companies' hiring intentions remained unchanged on the post-crisis low seen at mid-year, and capex plans hit a new low. The lack of employment and investment growth suggests companies are unconvinced of the sustainability of the upturn in activity levels.

### China growth outlook unchanged on mid-year low

Expectations about business activity levels for the year ahead were unchanged in **China** compared to the joint-record low seen at mid-year, remaining below the global average. Optimism in manufacturing slumped to the lowest in two years, but a modest upturn from June's mid-year low was seen in services. Investment intentions fell to a new nadir, while employment plans rose only slightly from the mid-year post-crisis low.

The growth outlook in China was again dented by worries about government policy changes, rising raw material and labour costs, plus intense competition at home and abroad.

### Russian confidence at four-year low

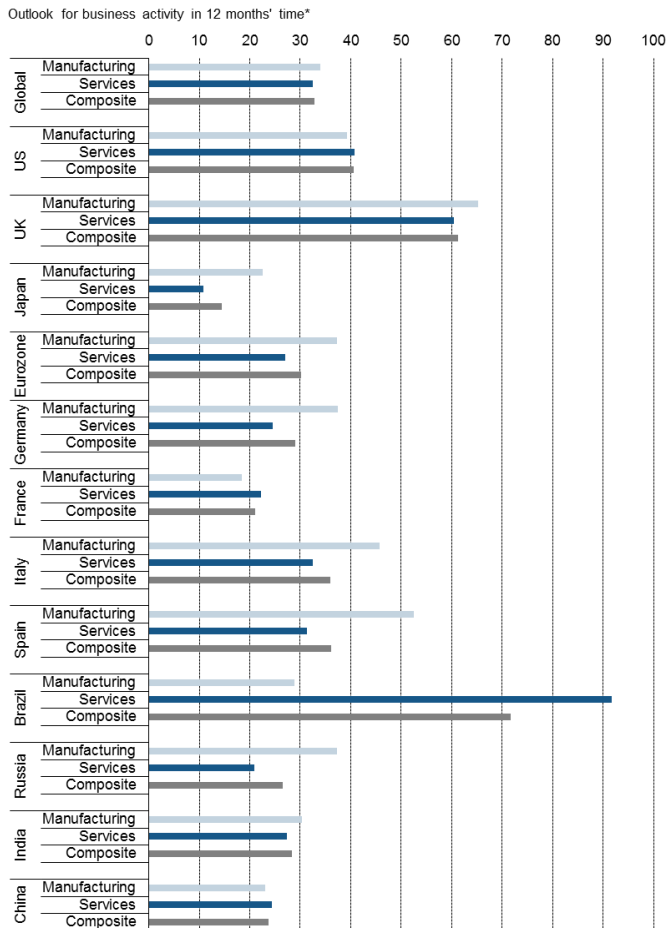
The outlook for business activity in **Russia** fell to the lowest seen since data were first collected at the start of 2009, accompanied by survey lows for employment, capex, new orders and revenue growth. Companies blamed a general economic slowdown in Russia, a weak investment climate, high competition and skill shortages for the poor outlook.

### Indian optimism at new post-crisis low

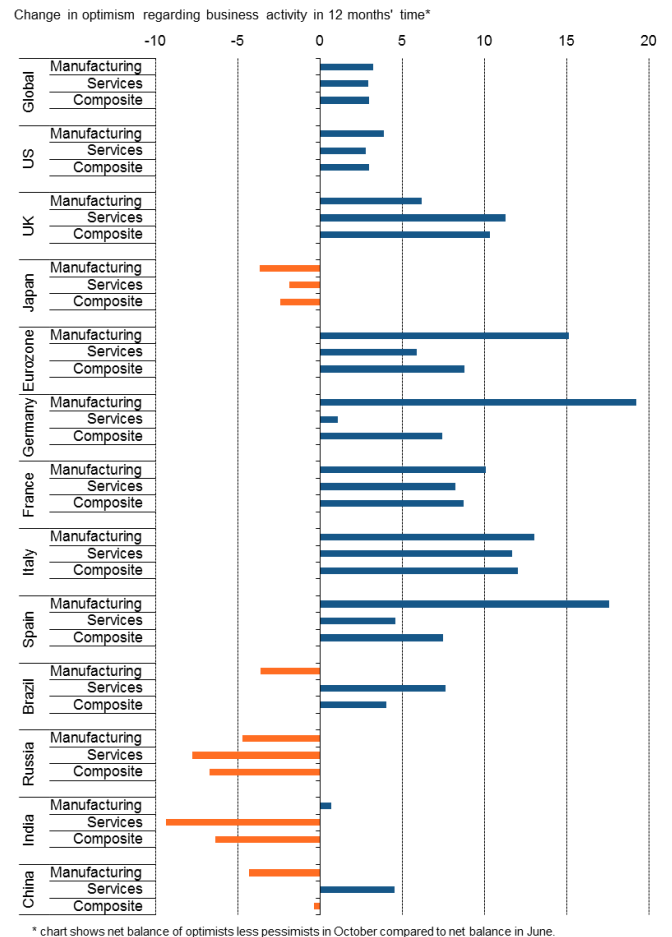
Companies in **India** were the least optimistic about their business activity levels over the next year than at any time since late-2009. Confidence also fell below the global average. Hiring and investment intentions were likewise at new post-crisis lows. Confidence hit a new low in services, reflecting the ongoing weakness of the domestic economy, but held steady in manufacturing, albeit at the lowest since late-2009. Companies' malaise was often linked to rising prices, political uncertainty, power shortages, red tape and sluggish demand.

## Country comparisons

### Business optimism in October

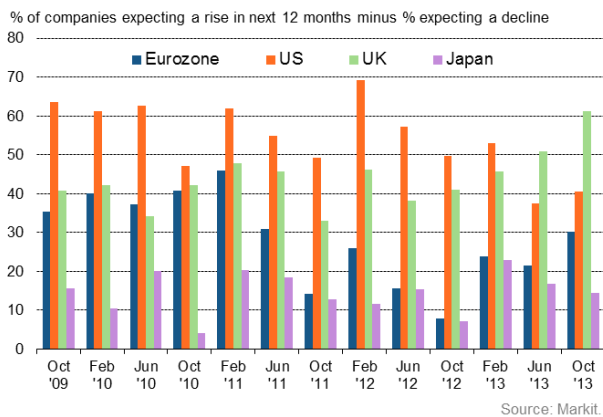


### How business activity expectations have changed since June

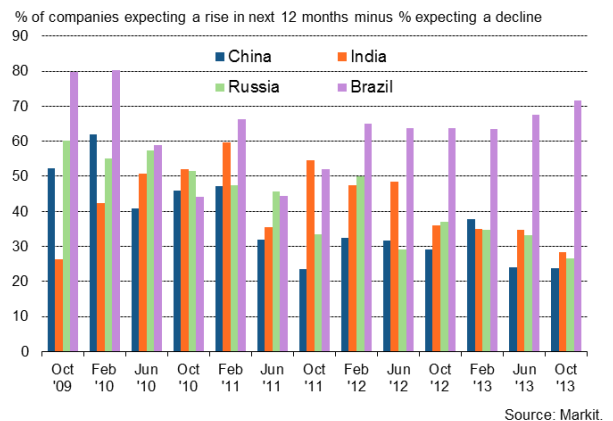


## Long-term trends in expected future business activity levels in key economies

### Key developed economies



### Key emerging markets



-Ends-

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

### Contact Information:

#### Chief Economist

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

#### Markit Press Office

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 October 12 and 31.

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 6,300 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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