

## News Release

**EMBARGOED UNTIL: 00:01, November 9<sup>th</sup> 2015**

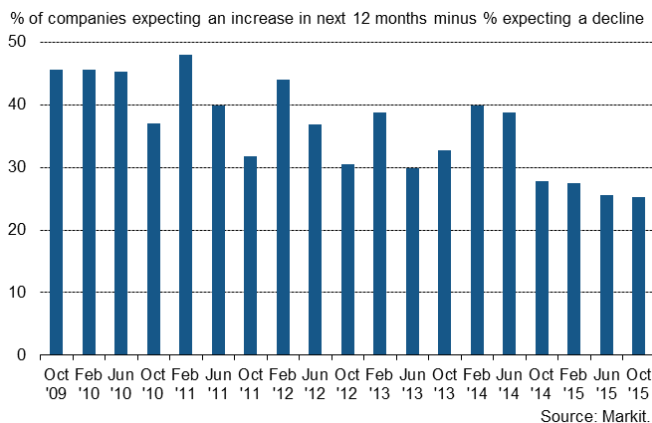
# Markit Global Business Outlook

## Emerging market gloom pushes global outlook to new post-crisis low

- **Global expectations regarding future business activity and corporate profits hit new post-crisis lows**
- **Emerging market mood darkest in past six years, led by new lows in China and India**
- **Confidence slips in UK and Eurozone, edges higher in US and Japan**
- **UK retains top spot among peers**
- **Global inflation outlook near two-year high**

Data collected 12-28 October 2015

### Global business activity future expectations



The Markit Global Business Outlook Survey, which looks at expectations for the year ahead across 6,400 companies, found corporate optimism to have edged down to a new post-financial crisis low in October.

The number of companies expecting their business activity levels to rise over the coming year outnumbered those expecting a decline by 25%, down from 26% in June. Optimism has steadily waned since early 2014, when the 'net balance' of optimists less pessimists peaked at +40%.

Business optimism regarding future activity levels in the global service sector sank to the lowest seen since the survey began six years ago in 2009, while the mood among manufacturers remained close to the near three-year low seen in the previous survey, conducted in June.

Expectations of corporate profits over the coming year also sank to a survey six-year low, and hiring intentions dipped to one of the weakest seen in the survey history.

Capex intentions were meanwhile unchanged compared to the June survey, which had been the highest seen for a year but still low by the historical standards of the survey.

The only global survey indicator to rise was the gauge of future output price pressures, which hit the highest since the start of 2014 to signal one of the strongest upturns in inflationary pressures since the survey began.

### Emerging market optimism at new low

Emerging market optimism – measured across the four BRIC economies – fell to new lows in both manufacturing and services, with post-financial crisis troughs seen on average across the two sectors in both China and India. Confidence meanwhile slid to a one-year low in Russia but rose markedly in Brazil from June's survey record nadir.

The outlook for profits, employment and capex all also fell to new post-crisis lows across the BRIC economies, led by declines in China and India.

There was greater divergence in the price outlook among the BRICs however, with the biggest fall in output prices seen in the survey's history in China

contrasting with strongly positive outlooks in India, Russia and Brazil.

### UK leads major developed economies

Of the four largest developed economies, the UK saw the highest degree of business optimism, despite confidence about future business activity levels dropping to the lowest since the start of 2013, reflecting weaker optimism in both manufacturing and services. The outlook for profits, hiring and capex likewise slipped in the UK to the weakest for over two years. While UK firms' pricing intentions were less aggressive than in June, they remained the highest of all developed countries.

### US confidence close to post-recession low

Business optimism in the US meanwhile edged up only modestly from the post-recession low seen in the June survey. Optimism was unchanged compared to the summer in the service sector and rose slightly to a one-year high in manufacturing. Hiring intentions also slipped in the US to one of the weakest levels seen in the past six years, with only the start of 2015 seeing lower employment expectations. The outlook for profits hit a joint-survey low, despite US firms reporting the most aggressive upswing in prices charged expectations for three years.

### Eurozone confidence wanes

The outlook for business activity in the manufacturing and service sectors of the Eurozone slipped markedly to one-year lows. Italy was the only one of the four largest member states seeing an overall improvement in optimism. Confidence hit a one-year low in Germany and a two-year nadir in Spain.

Hiring intentions across the region also dipped to the lowest for a year, down in all four largest members, dropping alongside weaker capex expectations.

There was better news on the euro area inflation outlook, with average prices charged for goods and services steady at one of the highest levels seen over the past three years, albeit far lower than seen in the UK and US.

### Japan sees modest outlook improvement

In Japan, optimism about future business activity levels picked up but remained broadly in line with the average seen over the past two-and-a-half years since the uplift following the introduction of 'Abenomics'.

Optimism rose in both services and manufacturing, the latter buoyed in particular by the weaker yen. The survey also showed manufacturers expecting to cut prices for the first time in three years, although firming pricing power was signalled in the more domestically-focused service sector.

### Commenting on the latest survey results, Chris Williamson, Chief Economist at Markit, says:

*"The latest global outlook survey indicates that the emerging market malaise remains a major concern. The data suggest that hopes that the worst may be behind us, in terms of the emerging world acting as a drag on global growth, could prove premature.*

*"Worldwide business confidence is at the lowest ebb since the global financial crisis, dragged down by optimism slipping further to six-year lows in both China and India. The mood among US firms also remains one of the lowest seen over the past six years, and gloomier readings were seen in both the UK and Eurozone.*

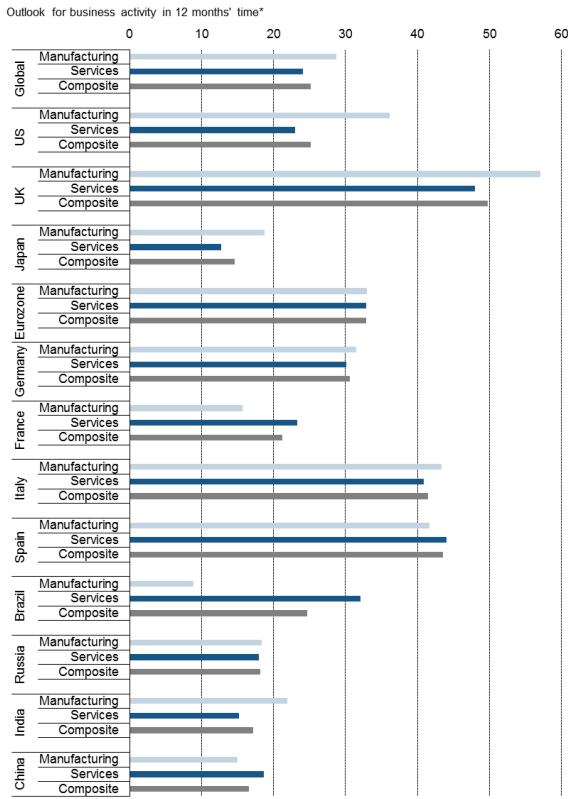
*"Developed world companies remain concerned about the impact of slower emerging market growth, and the spectre of higher interest rates in the US and UK continues to dampen spirits. The weakness of UK and US business optimism will, however, add to expectations that rate hikes will not happen any time soon.*

*"The failure of business confidence to show material improvements in the Eurozone and Japan will meanwhile disappoint policy makers, given the amount of central bank stimulus already in place, and ups the chances of further policy action."*

### Business activity net balances in October (Composite)

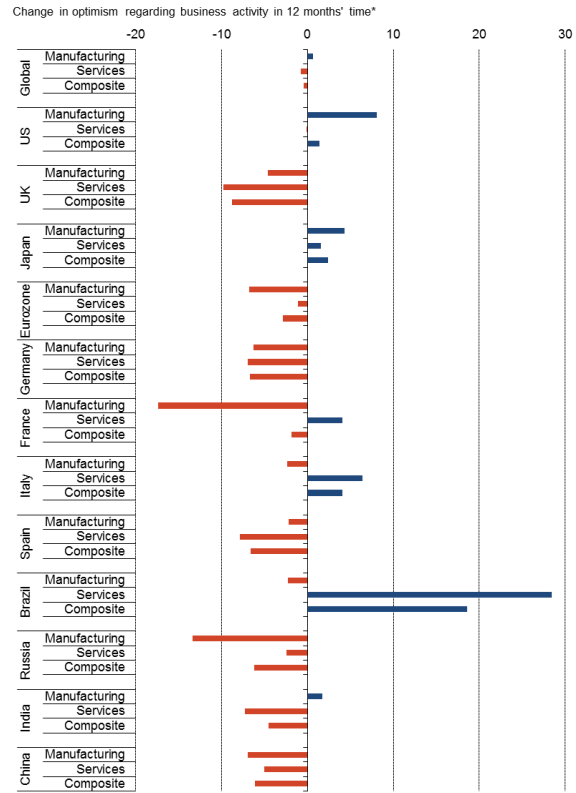
UK	50	Brazil	25
Germany	31	Russia	18
Italy	42	India	17
France	21	China	17
Spain	44	BRIC	18
Ireland	65	US	25
EU	37	Japan	15
Eurozone	33	Global	25

### Business optimism in October



\* chart shows net balance of optimists less pessimists in October.

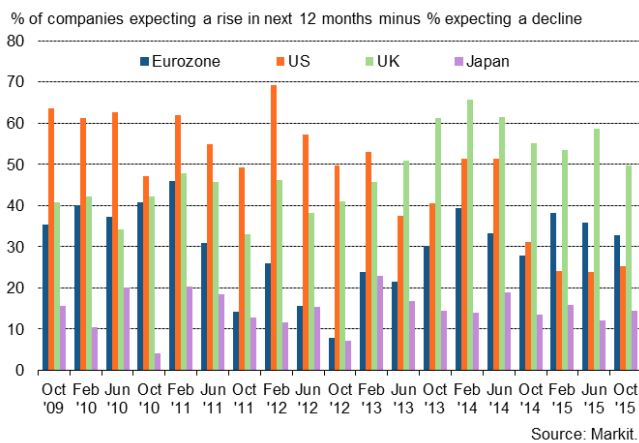
### How business activity expectations have changed since June



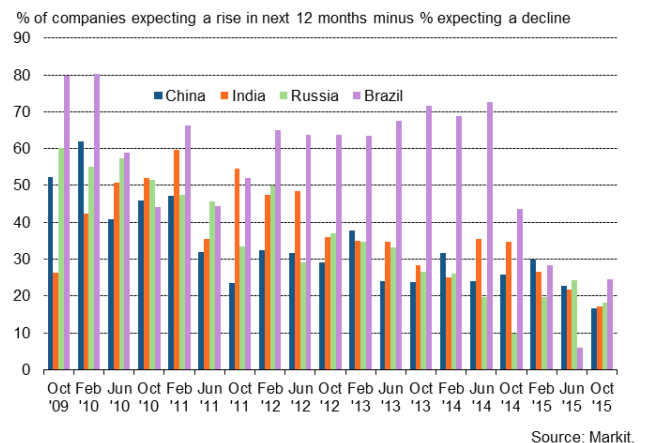
\* chart shows net balance of optimists less pessimists in October compared to net balance in June.

## 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)

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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 12,000 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 28.

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 12,000 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 6,400 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 over 30 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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