

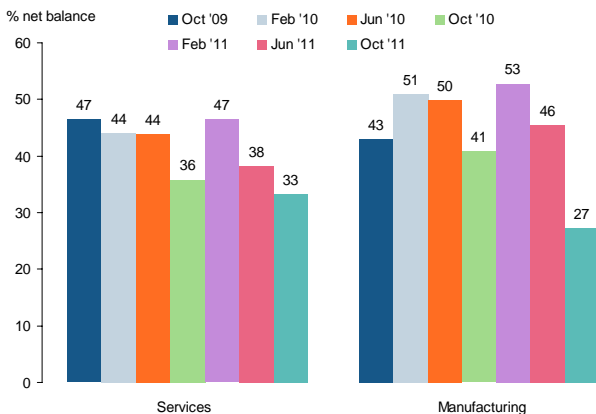
Global business outlook

Firms around the world report marked fall in confidence

- **European debt crisis hits optimism**
- **Activity growth forecasts downgraded**
- **Global job creation set to slow**

Worldwide business confidence has fallen between June and October to its lowest since the 2008/9 financial crisis. Weaker expectations regarding business activity over the next 12 months are recorded in both the service and manufacturing sectors, according to the latest [KPMG Global Business Outlook survey](#), compiled by Markit.

Expectations for activity over next 12 months



Sources: KPMG, Markit

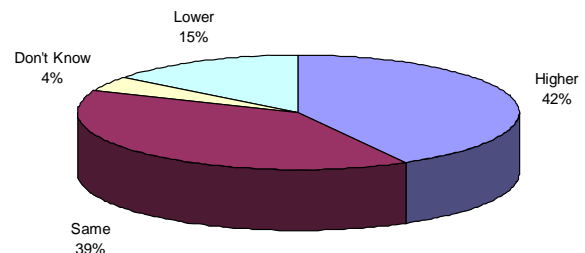
Manufacturing

The latest survey results show that around 42% of manufacturers anticipate growth of output during the coming 12 months versus 15% expecting a fall. The remainder reported either "same" or "don't know". The resulting net balance is +27%, down from +46% in June and +53% in February.

Services

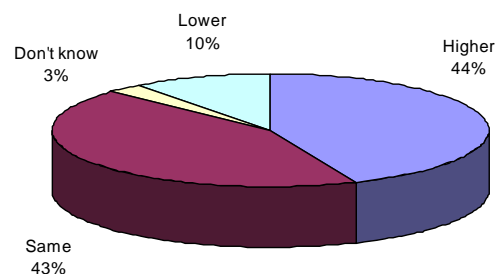
In the service sector, approximately 44% of companies forecast higher activity in a year's time against 10% predicting a decline. The net balance is therefore +33%, down from +38% in June and +47% in February.

Global manufacturing sector outlook



Sources: KPMG, Markit

Global service sector outlook

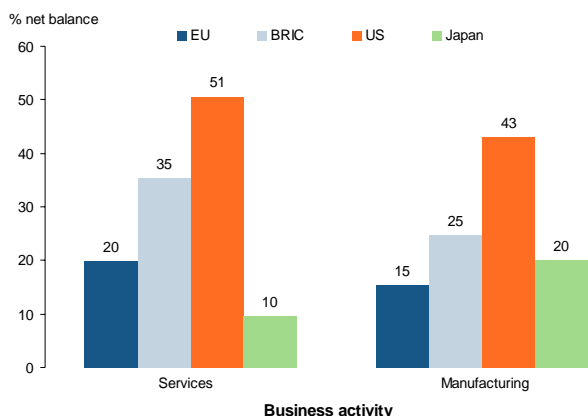


Sources: KPMG, Markit

Crisis dents optimism in Europe

Although confidence has fallen worldwide, it is in Europe where the most pronounced decline has occurred. Sharp falls in sentiment are in evidence across the Eurozone amid the continuing debt crisis. In fact, sentiment has weakened since June in all European countries included in the survey with the exception of Ireland. Much slower growth rates are anticipated in the core economies of Germany and France, while growth across the euro area periphery is forecast to remain feeble with Greece set to contract outright. UK optimism has held up somewhat better than in the big Eurozone economies but is nevertheless down considerably since June.

October 2011 regional breakdown



Sources: KPMG, Markit

Manufacturers downbeat

The latest drop in confidence is substantially sharper in manufacturing than services. This likely reflects goods producers' greater exposure to a weaker global trade environment.

While service sector confidence appears to have been partly supported by resilient domestic demand in a number of countries, it is possible that weakness may spread to service providers to a greater degree in early 2012 when the next survey is conducted.

The disparity between sector trends is particularly noticeable in the US, Japan and BRIC area, where service providers are only marginally less confident than in June. Notably, there have been considerable improvements in Brazil and India – offering a rare bright spot in the latest survey as this suggests domestically-led demand in at least some of the big emerging markets is holding up well.

Sluggish jobs growth forecast

The outlook for employment at companies around the world has weakened, with manufacturers' hiring intentions at a two-year low and service providers' expectations the lowest on record. This clearly has negative implications for unemployment and, in turn, increased risks of slow growth rates becoming entrenched.

Particularly weak employment intentions are signalled in Europe and Japan. In fact, some European countries including Italy and Spain are forecast to see outright contractions. The picture is not quite so bad in the US and BRIC region, although confidence is still down a little compared with the previous survey.

For the full Business Outlook survey results, please click [here](#)

Jack Kennedy

Senior Economist

Markit

Tel: +44 1491 461087

Email: jack.kennedy@markit.com

For further information, please visit www.markit.com

The intellectual property rights to this report provided herein is owned by Markit Group Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Markit is a trademark owned by the Markit group.