

Global outlook

Global business outlook improves, led by BRICs and US

The winter 2009 Global Business Outlook Survey, compiled by Markit for KPMG and based on a survey of around 11,000 manufacturing and services firms, showed that business confidence has improved markedly since earlier in the year¹. However, national and regional variations were marked, with the BRIC countries leading growth in terms of business revenues, employment and investment. In the developed world, the US stands out as being set for robust growth, with more modest expansion envisaged in Europe. Japanese companies were the least optimistic about the year ahead, in almost all respects.

Business revenues

- The number of companies globally expecting their business revenues to be higher in a year's time exceeded those expecting a decline by net balances of 41% for services and 37% for manufacturing.
- Growth is set to be particularly strong in the BRIC countries, especially Brazil. The US is on course to show the fastest growth of the world's developed economies.
- Japanese companies were the least optimistic, with service providers particularly downbeat – the only sector worldwide to expect revenues to fall over the coming year.

Profits

- Corporate profits are expected to increase on balance in all countries and sectors with the exceptions of the services economies of Germany and Spain. Globally, service providers were nevertheless slightly more optimistic about profits than manufacturers on average.
- Firms in the BRIC countries were generally more upbeat about profits than their counterparts in

¹ The survey covered 11,000 manufacturing and service sector companies in the United States, Japan, the United Kingdom, the big-four Eurozone nations as well as the BRIC economies. Other smaller European countries were also included in the survey.

Chart 1: Business revenues

% expecting increase in 12 months time minus % expecting a decline

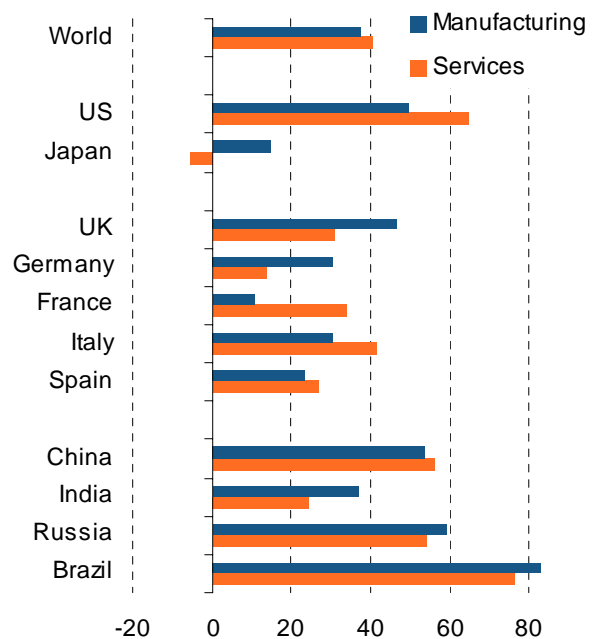
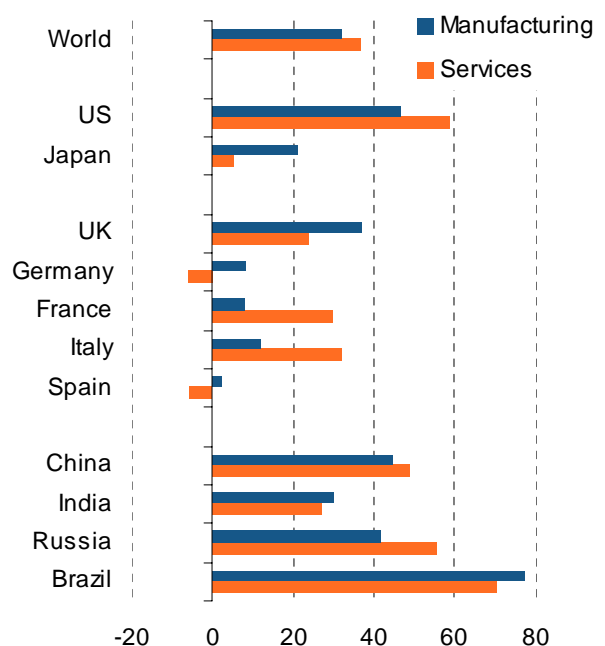


Chart 2: Profits

% expecting increase in 12 months time minus % expecting a decline



Source: Markit.

developed countries, led by Brazil. However, surprisingly buoyant optimism was recorded in the US, especially in the services economy.

- Divergences in expected profits growth among the Eurozone countries was particularly interesting, with robust growth of profits signalled in France and Italy contrasting with the falls expected in Germany and Spain.
- Expected profits growth was often related to anticipated pricing power: BRIC-based companies were generally considerably more optimistic about their ability to raise their prices over the coming year than developed world companies. Japanese firms expected to continue cutting their rates, pointing to ongoing deflationary pressures.

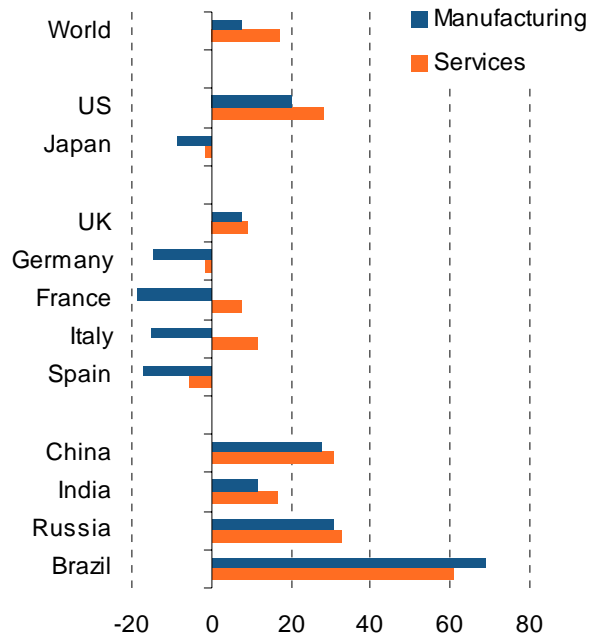
Employment

The ability of the global recovery to move from a manufacturing inventory-led rebound to a more sustainable, broad-based upturn will much depend upon the extent to which firms take on more staff (thereby boosting consumer spending) and invest in new plant and machinery. In both respects, the survey paints a slightly disappointing picture although, again, national and regional variations are noteworthy.

- Globally, the proportion of companies expecting to increase their staffing levels over the next 12 months exceeded those expecting levels to decline by net balances of just 17% in services and 8% in manufacturing.
- BRIC companies are considerably more likely to be taking on additional staff next year than developed world firms, with European and Japanese companies particularly downbeat regarding staffing levels.
- Falling manufacturing employment in the Eurozone should be offset by recruitment in the service sector, though hiring intentions are subdued in all euro countries.
- The UK was the only major European country surveyed to report an expected increase in manufacturing employment.
- US employers in both manufacturing and services are expecting to take on more staff, with the latter seeing the stronger growth.

Chart 3: Employment

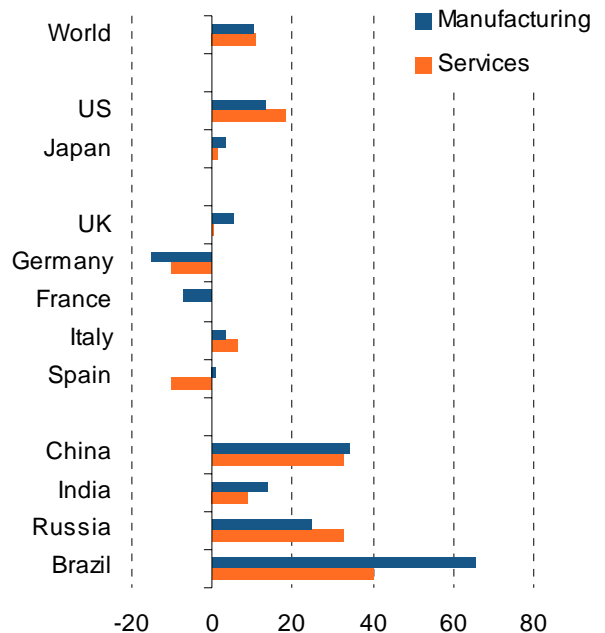
% expecting increase in 12 months time minus % expecting a decline



Source: Markit.

Chart 4: Capital expenditure

% expecting increase in 12 months time minus % expecting a decline



Source: Markit.

Capital expenditure

Planned capital expenditure over the next year looks set to be even less of a support to growth than employment.

- Worldwide, the proportion of companies expecting to increase their capital expenditure over the next 12 months exceeded those expecting levels to decline by net balances of just 11% in services and 10% in manufacturing.
- The BRICs, led by Brazil, have the strongest capex intentions.
- US companies are expecting to raise their capex spending on average, but in Europe the picture is one of falling or only very modest investment. German firms were the most downbeat.

Further information

The Outlook Survey also covered numerous other variables, including input costs, staff costs, business activity levels, new orders, capacity utilisation, R&D and inventories.

For further information and to download a **free full copy of the survey results**, please visit <http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/Pages/Business-Outlook-survey-November-2009.aspx>.

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