

EMBARGOED UNTIL: 00:01 (UTC) November 10<sup>th</sup> 2020

# IHS Markit Global Business Outlook

## Hopes of COVID-19 vaccine underpin stronger business optimism in October

- Global business optimism reaches two-year high, but with marked national variations
  - Sentiment has risen most sharply in India, followed by Brazil, Germany, Japan and the US
  - Confidence has fallen most sharply in Russia and Spain
  - Outlook towards hiring and investment turns positive, though Europe lags behind
  - Selling price inflation set to pick-up globally, despite falling prices in eurozone
- The **IHS Markit Global Business Outlook Survey** – based on responses from 12,000 companies between October 9-29 – recorded the strongest degree of optimism among companies since late-2018. The **business activity** net balance rose from a near survey low of +15% in June to +26%. Hopes that a vaccine could be rolled out over the coming 12 months underpinned the improvement in confidence from the lows earlier in the year.
  - The relaxation of restrictions aimed at halting the spread of the virus meant sentiment has strengthened in Germany, Japan, the US, China, India and Brazil. On the other hand, strict COVID-19 controls in parts of Europe saw a downgrading of forecasts across Italy, France, Spain, Ireland, the UK and Russia.
  - Companies worldwide turned optimistic on **future hiring** as firms replace staff laid off at the height of the COVID-19 pandemic. But hiring intentions remained among the lowest on record. A net boost to jobs was expected in the US, Japan, Germany, Ireland and the UK, but job shedding was signalled in Italy, France and Spain. Across emerging markets, staff numbers look set to rise in Brazil, China and Russia, while Indian firms expect to cut employment.
  - Firms became positive on **future capex spending** in October. A net balance of +10% of businesses forecast greater capex in the year ahead. The positive net balance stemmed from upbeat sentiment in Brazil, China, India, Ireland, Italy, Japan, Russia and the US. Conversely, companies in France, Germany, Spain and the UK signalled negative investment intentions.
  - Global **research and development** spending (R&D) also looks set to rise, with the net balance up from +1% in June to +8% in October, though companies in France, Germany, Spain and the UK expect to buck the improving trend with cuts to R&D.
  - Companies intend to hike their **selling prices** in the year ahead, but the global output prices net balance was at just +11%, one of the lowest readings in the 11 years of data history. Many companies expect the COVID-19 pandemic to restrict pricing power. Falling prices were anticipated across the eurozone while Brazil, Russia, the UK and the US saw especially steep expected price growth.

Commenting on the survey, **Pollyanna De Lima**, Economics Associate Director at IHS Markit, said:

*“The global business outlook has become much brighter, with companies increasingly optimistic that the worst of the pandemic is behind them. October’s results showed a broad-based improvement in sentiment across a number of measures, with upbeat predictions towards sales, output, hiring, profitability and investment.*

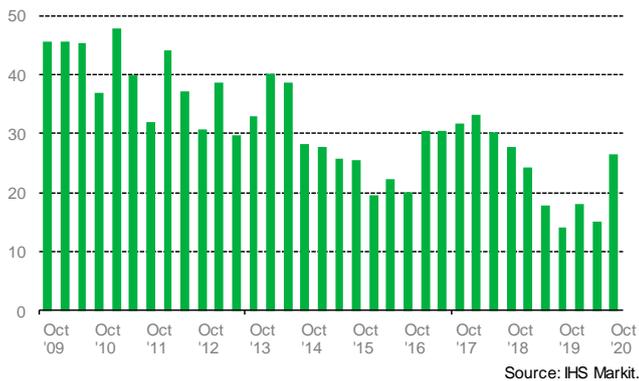
*“However, the recovery in business sentiment is largely pinned on hopes of a reduction in COVID-19 case numbers, as well as the roll-out of a vaccine over the course of the next 12 months, meaning any renewed controls to halt the spread*

of the virus could derail this recovery. Second waves of the virus and new lockdowns have already dealt a blow to sentiment across parts of Europe.

“An increase in worldwide COVID-19 cases means further containment measures look set to be introduced in coming months. Hence, businesses may have to brace themselves for some tough months ahead before any sustainable economic recovery takes place.”

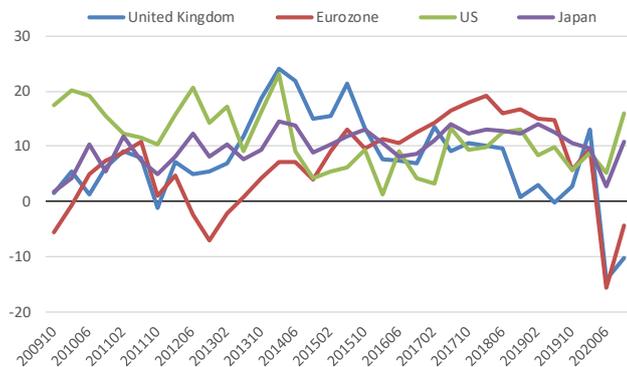
## Global business activity expectations

(% net balance of optimists less pessimists)



## Capex intentions in major developed markets

(% net balance of optimists less pessimists)



The full report and accompanying data are available on request from [electronics@ihsmarkit.com](mailto:electronics@ihsmarkit.com).

Individual country reports can be accessed in our [Press Release](#) website.

**For further information, please contact:**

### IHS Markit

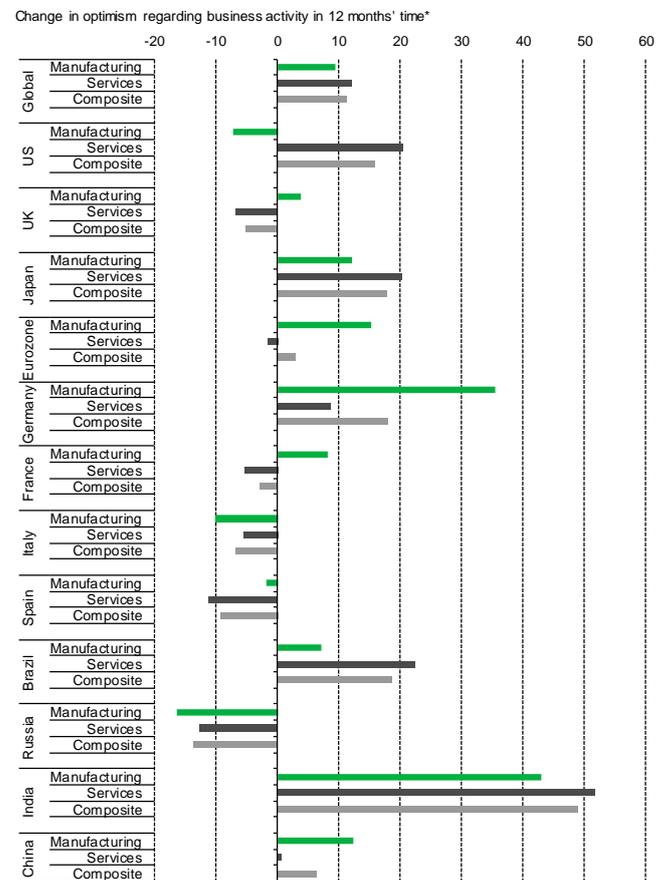
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## How business activity expectations have changed between June and October

- Sentiment has risen most sharply in India, followed by Brazil, Germany, Japan and the US
- Sentiment has fallen most sharply in Russia and Spain, with deteriorations also seen in Ireland, Italy, the UK and France



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

### Notes to Editors:

The Global Business Outlook Survey for worldwide manufacturing and services is produced by IHS Markit 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 9 and 29.

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 IHS Markit 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, 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 signalling a neutral outlook for the coming 12 months. Values above 0 indicate optimism amongst companies regarding the outlook for the coming 12 months while values below 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 7,000 firms.

#### About IHS Markit ([www.ihsmarkit.com](http://www.ihsmarkit.com))

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