News Release

EMBARGOED UNTIL: 00:01 (UTC) July 13th 2020

IHS Markit Global Business Outlook

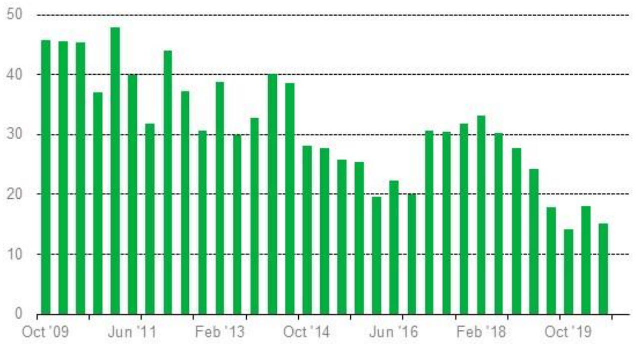
Hiring and investment plans hit by COVID-19 crisis

Key findings:

- Companies expect stagnation in global employment and investment spending
- Worst outlook for business profitability since global financial crisis
- Inflationary pressures set to soften
- India and Brazil see largest downward revisions to confidence amid COVID-19 pandemic
- Only China and Italy more confident regarding activity than in February

Data collected June 10-29

Global business activity expectations



Source: IHS Markit.

Businesses around the world are reining in hiring and investment intentions as a result of the coronavirus disease 2019 (COVID-19) crisis, according to the latest IHS Markit Global Business Outlook survey. June saw sentiment regarding business activity in the year ahead drop compared to the prior survey, conducted in February, with profits set to be hit and employment and investment predicted to be largely unchanged over the coming year. Expectations around inflation were also historically low.

The June **IHS Markit Global Business Outlook Survey** – based on responses from a panel of 12,000 companies and conducted three times per year – showed the net balance of global firms predicting output to rise over the coming year minus those predicting a decline at +15% in June, down from +18% in February and among the weakest since the global financial crisis. Data for the latest survey were collected between the 10th and 29th of June.

Confidence around business activity in June generally reflected the stage of the virus outbreak in each country. In China, which saw the worst of COVID-19 back in February, confidence was up markedly in the latest survey. A similar trend was recorded in Italy, albeit registering an improvement less strong than seen in China.

Meanwhile, countries where the number of virus cases continued to escalate saw sentiment fall sharply. Brazil and India in particular recorded declining confidence, with the latter posting a pessimistic outlook for the first time since the series began in late-2009. Elsewhere, expectations for output were net positive on balance, but weaker than those seen at the start of the year.

Bleaker outlook for jobs

Global hiring looks set to grind to a halt over the coming year as companies respond to the COVID-19 crisis amid expectations of stagnant profitability. The net balance of firms predicting a rise in employment was down to 0% in June from +11% in February. The overall indication of unchanged staffing levels represents the first time that no global jobs growth has been anticipated since the series began nearly 11 years ago. Net balances were down across both the manufacturing and service sectors, at -3% and +2% respectively.

Only four countries posted positive employment expectations in June, namely the US, Japan, Russia and Ireland. However, in each case labour market sentiment was lower than in February. The most negative outlook for jobs was in India, followed by Germany and France.

Investment spending set to stagnate

In line with the picture for employment, firms worldwide have revised down their plans for investment in capital and R&D, and now look set to leave these broadly unchanged over the coming year.

The capex net balance was -1%, the first negative reading on record. Investment in capital looks set to be broadly unchanged across both the manufacturing and service sectors. The net balance for the eurozone was especially weak at -16% in June, with data showing the worst outlook for capex since the depths of the global financial crisis. Outside Europe, investment intentions were generally positive, but below those seen at the start of the year.

At +1%, the net balance for R&D expenditure also points to a stagnant investment scenario over the next 12 months. As with capex, the outlook was the worst on record, with a lack of confidence across both the manufacturing and service sectors.

Softer cost pressures predicted

Rates of input cost inflation are expected to be historically muted over the course of the coming year, with expectations of increases in both staff and non-staff costs well down on February.

Pressure on staff costs is set to be reduced due to a pause in hiring and a lack of wage inflation. As a result, the net balance of companies predicting a rise in staff costs was down to just +7% in June, well below the reading of +26% in February. Muted price pressures were forecast across both monitored sectors. Both Germany and India predicted outright reductions in staff costs.

The picture was similar for non-staff input prices, with the net balance down to +9% in June from +19% in February. The reading was the lowest since February 2016 and second-weakest since the series began in late-2009. Of the 12 countries for which comparable data are available, only Italy and Russia predicted a stronger increase in non-staff input costs than was the case at the start of the year.

Output price inflation set to moderate

A combination of weaker cost inflation and a lack of demand due to the COVID-19 pandemic has led companies worldwide to scale back their expectations for selling prices. At +5%, the output prices net balance in June was the lowest in almost 11 years of the series so far, having fallen from +13% in February.

Outright reductions in charges were predicted in France, Germany, Spain and Japan, with no change forecast in China and Italy. The US was the only monitored country not to record a drop in the respective net balance since the start of the year.

Stagnant profits forecast

Firms across the world anticipate little change to profitability over the coming year. The expected profits net balance was down to just +1% in June, its lowest in the survey history. Any cost savings look set to be passed on to customers through softer output price inflation amid weak final demand.

As was the case across all of the variables covered by the latest survey, the picture was consistent in both the manufacturing and service sectors. Profitability was predicted to decline across half of the 12 countries for which comparable data are available, with pessimism led by India and Germany.

Business activity (output) % net balance of optimists less pessimists in June

(manufacturing & services)

UK	40	Brazil	24
Germany	6	Russia	20
Italy	34	India	-30
France	13	China	22
Spain	16	EM	14
Ireland	28	US	15
Eurozone	15	Japan	7
Global	15	DM	16

Comment:

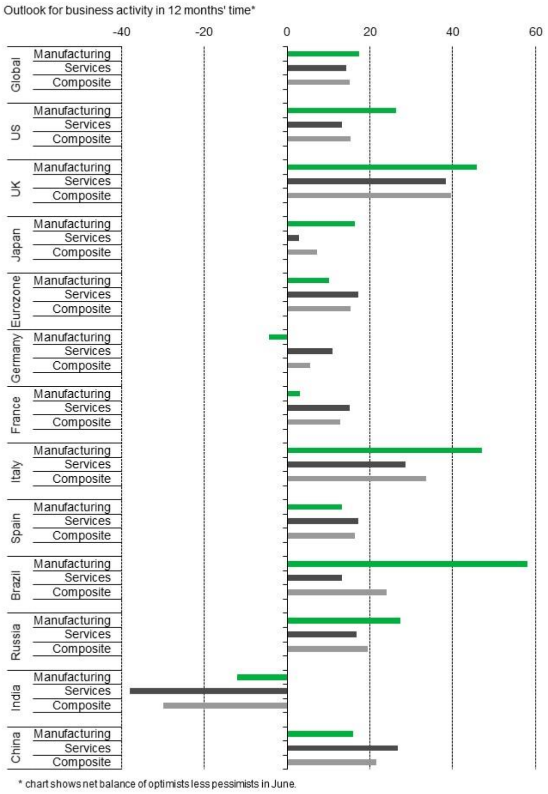
Commenting on the survey, **Andrew Harker**, Economics Director at IHS Markit, said:

"The latest business outlook survey highlights some of the devastating longer-term impacts of the COVID-19 pandemic on the global economy. The prospects for the world's workforce appear especially bleak, with firms not looking to hire over the coming year amid a gloomy outlook for corporate profits. Likewise, plans for investment spending have been scaled back and are at their lowest since the global financial crisis. Worryingly, these trends are apparent across the world, even in those countries such as China where the impact of COVID-19 on activity has waned since earlier in the year.

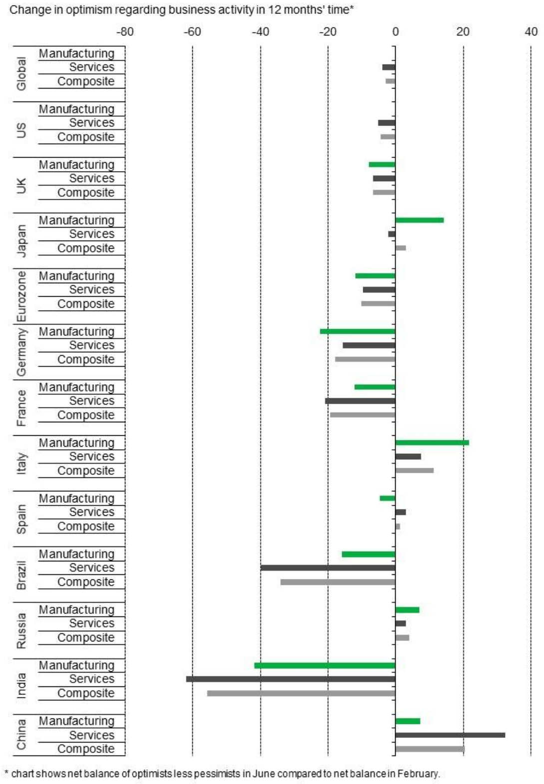
"With firms seemingly in survival mode amid a lack of confidence around future profitability, these data are suggestive of a long, drawn out economic recovery rather than a quick snap back to pre-COVID volumes once the immediate health crisis has passed."

Full data are available on request from economics@ihsmarkit.com

Business optimism in June (% optimists less % pessimists)



How business activity expectations have changed since February



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For further information, please contact:

IHS Markit

Andrew Harker, Economics Director
Telephone +44 149 146 1016
Email andrew.harker@ihsmarkit.com

Katherine Smith, Public Relations
Telephone +1 781 301 9311
Email katherine.smith@ihsmarkit.com

Chris Williamson, Chief Business Economist
Telephone +44 207 260 2329
Mobile +44 779 5555 061
Email chris.williamson@ihsmarkit.com

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 June 10 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)

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.