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IHS Markit Global Business Outlook

Global business confidence brightest in seven years

- Optimism regarding business activity in the year ahead highest since mid-2014
- Notable improvements in sentiment across Europe and the US, optimism in Japan inches to new high
- Downshifts in sentiment evident in China, India and Russia
- Global hiring intentions joint-highest in series history
- Inflation expectations in Europe hit new record as raw material and staff costs soar

The **IHS Markit Global Business Outlook Survey** – based on responses from a panel of 12,000 companies between June 10-29 – showed improved sentiment across a number of measures as firms grew more optimistic about the ending of pandemic-related restrictions in line with vaccine progress. The headline global **business activity** net balance rose from +32% in February to +38% in June, highlighting the strongest degree of optimism in seven years.

The upturn in sentiment was led by sharply improved optimism in the US and Europe. Eurozone sentiment surged to an all-time high, reflecting record readings in Italy and Spain, and ten-year highs in Germany and France though UK companies were the most upbeat worldwide. Sentiment in the US trailed slightly behind that of the eurozone and the UK in particular, though nevertheless hit the highest since 2014. Confidence about future business activity improved only marginally in Japan, but this also represented a new series peak.

Meanwhile, emerging markets optimism was dampened by further COVID-19 concerns and global shortages of raw materials. Levels of sentiment declined in China, India and Russia, offsetting a slight improvement in Brazil, to pull the overall level of sentiment measured across emerging economies down from the seven-year high seen earlier in the year. Business expectations for the year ahead in the developed world are consequently running ahead of those in the emerging markets to the greatest extent recorded since comparable data became available in 2009.

Predictions of a rebound in demand underpinned global capacity expansion plans for the year ahead. A net balance of +21% of companies globally reported **hiring intentions**, the joint-highest figure since data became available in October 2009. Firms in the UK, France, Germany and Italy were at their most upbeat towards job creation since the global financial crisis. Marked improvements in hiring sentiment were also noted in the US (highest since early-2013) and Ireland. Only Indian companies forecast a reduction in payroll numbers in the year ahead. The gap between employment confidence in development nations and emerging markets was the widest on record.

A record net balance of companies globally (+26%) reported plans to increase **selling prices** over the course of the coming 12 months amid rising cost burdens. Net balances reached new peaks in Germany, the UK and US. Substantial uplifts to selling price inflation expectations were also evident in France, Ireland and Spain. In contrast, output charge inflation expectations weakened from earlier in the year across China, India and Russia.

The global **input price** net balance was unchanged at +26% in June, the joint-highest reading on record. Cost inflation expectations intensified throughout Europe, Brazil and Japan due to ongoing supply-chain disruptions and global shortages of raw materials. The largest, and unprecedented, proportion of companies forecasting increased input costs were registered in the UK and Germany. June also saw the steepest expected rise in **staff costs** yet recorded by the survey since comparable data were available in 2019 (and by far the greatest rise in service sector staff costs since

2009). Downward revisions were evident in China, India, Russia and the US. The largest rise in staff costs was indicated for the UK.

June data highlighted an uptick in sentiment regarding **capital expenditure** with the global net balance up from +13% in February to +15%, its highest since February 2014. Diminished optimism in emerging markets (down to +9%, with almost no gain signalled in India) was more than offset by improved spending intentions in developed markets (a joint-record high of +17%).

Research & development (R&D) spending intentions globally weakened slightly from February's series peak. Intentions improved in the UK, eurozone and Russia, whilst stabilising in Japan. Downward revisions were registered in Brazil, China, India and the US, though only Indian firms expect to cut R&D spending.

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

“Vaccine progress and expectations that COVID-19 restrictions will continue to be lifted as the pandemic recedes pushed global business confidence to a seven-year high in June. Companies intend to replace staff who were dismissed since the onset of COVID-19 amid capacity expansion efforts and predictions of a rebound in demand. Hiring intentions were the joint-strongest since the global financial crisis. The upturn in optimism coincides with our forecast of a 5.8% expansion in global real GDP for 2021, which should then soften to 4.7% in 2022 and settle at 3.1% in 2023. Naturally, there remains downside risks that new COVID-19 variants could lengthen the pandemic and threaten the recovery.

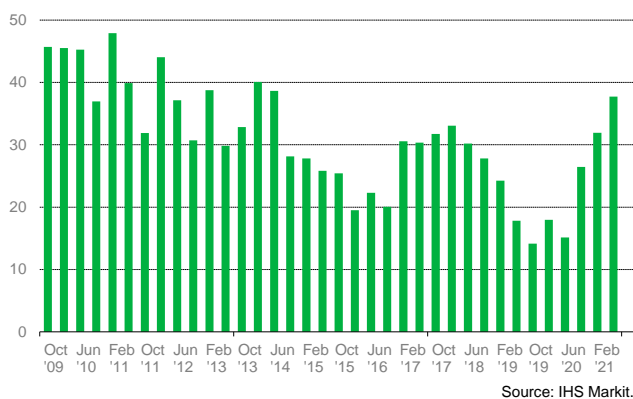
“The largest boost to global confidence came from Europe and the US, particularly regarding business activity and employment. For the latter, record levels of positive sentiment were evident in the UK, Germany, Italy and France. UK companies were the most upbeat worldwide for output, profitability and job creation. The gap between developed world and emerging market optimism was unprecedented, highlighting the impact of vaccine access and new COVID-19 cases on business confidence and growth as well as the need for global cooperation on vaccine production and distribution.

“Capital expenditure confidence improved to the highest since February 2014, with companies across Europe displaying the most notable increases in sentiment during June. Projections for global research & development spending fell marginally from February's series peak due to downward revisions in Brazil, China, India and the US.

“Trends for inflationary pressures were mixed. European firms generally expect supply-chain issues and raw material scarcities to linger. Emerging markets and US companies predict some stabilisation over the course of the coming year. As a result, the net balance of global businesses forecasting higher cost burdens was unchanged from February's record.”

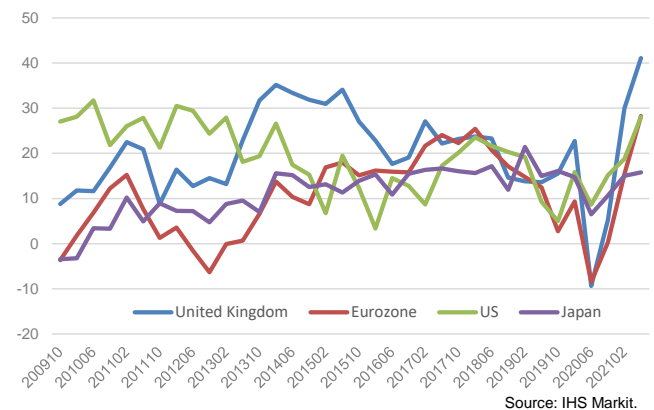
Global business activity expectations

(% net balance of optimists less pessimists)



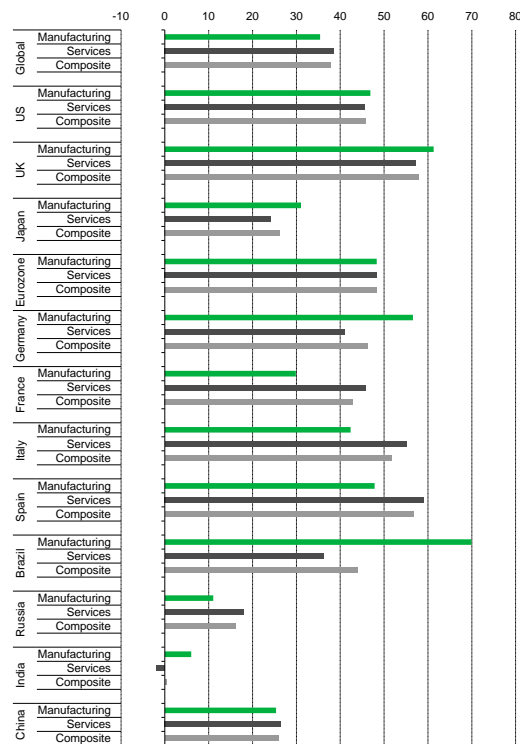
Hiring intentions in major developed markets

(% net balance of optimists less pessimists)



Business optimism in June

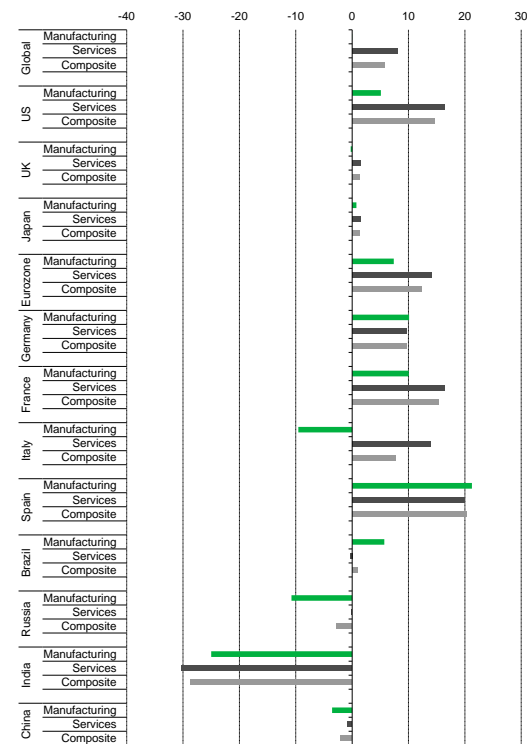
Outlook for business activity in 12 months' time*



* chart shows net balance of optimists less pessimists in June.

How business activity expectations have changed between February and June 2021

Change in optimism regarding business activity in 12 months' time*



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

Accompanying data are available on request from economics@ihsmarkit.com. Individual country reports can be accessed in our [Press Release](#) website.

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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 8,000 firms.

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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.

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