

News Release

EMBARGOED UNTIL: 00:01 (UK Time), July 13th 2015

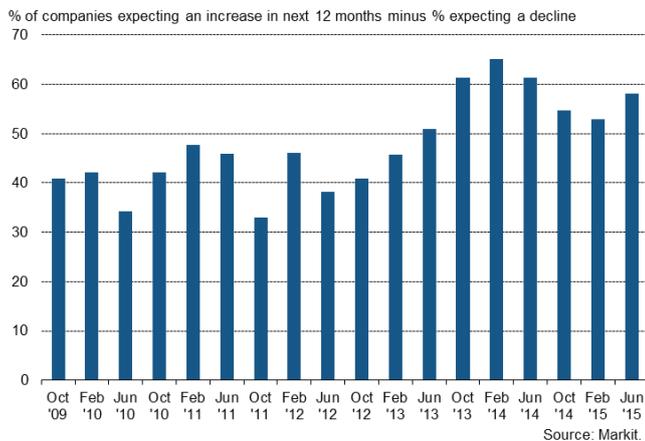
Markit UK Business Outlook

UK business confidence climbs to one-year high

- **Activity expectations rise across manufacturing, service and construction sectors**
- **Employment intentions strengthen**
- **Investment plans upgraded**

Data collected 12-26 June 2015

UK business activity future expectations



The latest Markit Business Outlook Survey shows that confidence across the UK private sector economy has improved to the highest level for a year. A net balance of +58 percent of companies across the manufacturing, service and construction sectors expect rising activity over the next 12 months, up from +53 percent in the previous survey conducted in February. This figure compares favourably with the global benchmark of +26 percent and is also considerably stronger than the equivalent index for the eurozone (+36 percent).

UK manufacturers remained the most upbeat, with a net balance of +62 percent of firms anticipating growth of activity. The net balance for services is +58 percent, while it is +53 percent in construction.

Anecdotal evidence from companies suggests that an improving economic outlook, new product developments, investments in additional capacity and expansion into new markets are among the factors set to support business over the coming year. An easing of uncertainty following the general election result has also helped lift the mood compared with earlier in the year.

However, uncertainties related to the Greek crisis, the UK's EU referendum, government spending cuts, higher interest rates, skill shortages and a strong pound remain among the key worries for businesses.

The improved outlook for activity is mirrored by stronger profit expectations among UK businesses. A net balance of +44 percent of firms anticipate an increase in profits, the highest in a year.

Job creation set to quicken

Employment in the UK private sector is expected to increase over the next 12 months, as additional staff are hired in line with rising workloads. The net balance of companies planning to recruit additional workers has risen to +35 percent, from +32 percent in February, its highest level for a year. Construction firms are set to lead the way (+42 percent), followed by service providers (+36 percent) and then manufacturers (+26 percent).

Stronger rise in investment planned

The brighter business outlook has led UK firms to revise their investment plans higher. Spending on both capital equipment and R&D is set to increase at faster rates than were predicted in the previous outlook survey in February. The net balance for capex has

climbed to a one-year high of +22 percent, from +17 percent.

The net balance for research & development has increased to +20 percent, from +17 percent, also the strongest reading for a year.

Price pressures set to rise

The latest results suggest a pick-up in price pressures across the UK private sector over the next 12 months. A net balance of +41 percent of companies anticipate rising input costs, up from +35 percent in February and the highest reading since early-2014. Service providers expect the sharpest increase (+47 percent), ahead of constructors (+36 percent) and manufacturers (+18 percent). Increased staff costs are set to be a key driver, with a net balance of +59 percent of firms in June predicting a rise.

In response, firms are planning to raise their charges to customers to a greater degree. The net balance for output prices has risen to +38 percent, from +35 percent. Constructors are the most confident of increasing their charges (+59 percent), followed by service providers (+36 percent) and then manufacturers (+35 percent).

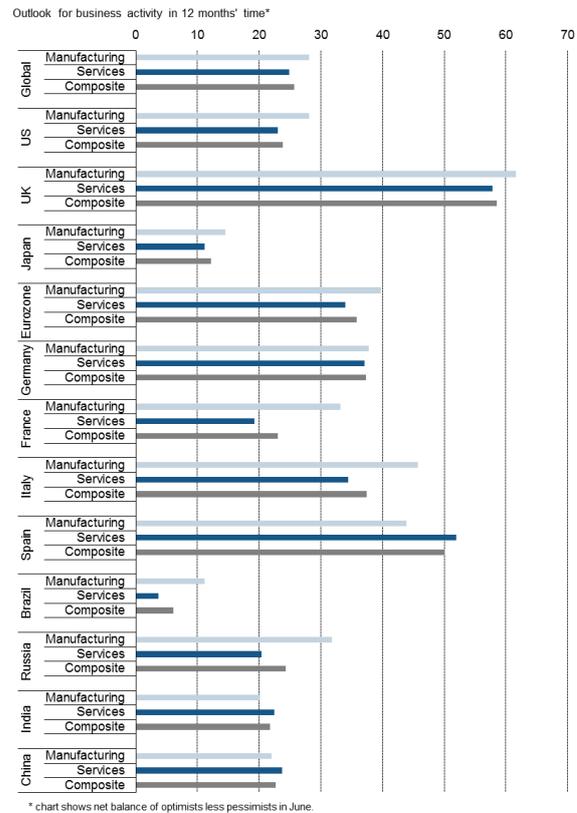
Comment:

“The mood among UK businesses has brightened in the summer, as the removal of uncertainty following the general election result and ongoing improvement in domestic economic conditions has outweighed concerns surrounding ‘Brexit’ and ‘Grexit’. The UK posts the highest confidence of all major economies, bucking the global trend where optimism has dipped to a post-crisis low.

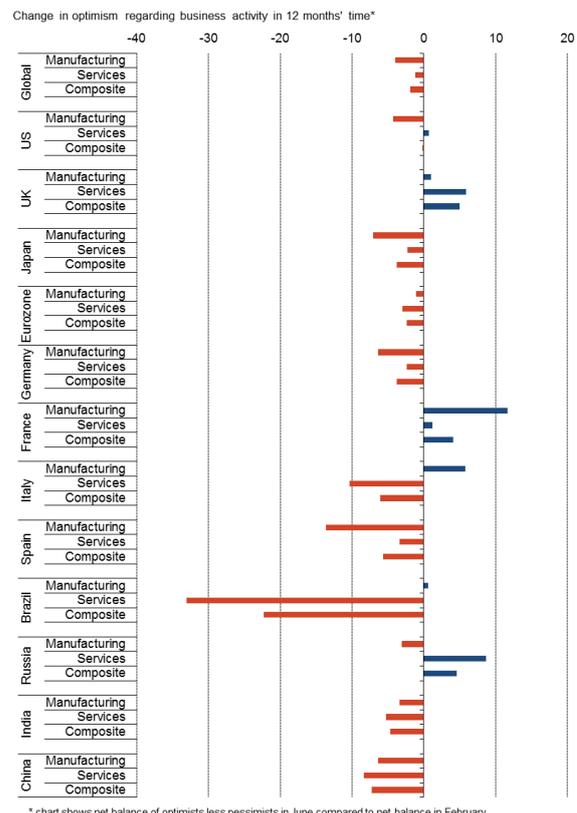
“Companies have therefore become more positive in their hiring intentions, spelling good news for the labour market and suggesting that unemployment will continue to fall over the next year. However, this is accompanied by signs of rising pay pressures, linked to skill shortages. The Bank of England will continue to keep tabs on this, although interest rates are unlikely to start rising while inflation remains low and uncertainty surrounding the European situation persists.”

Jack Kennedy, Senior Economist, Markit

Business optimism in June

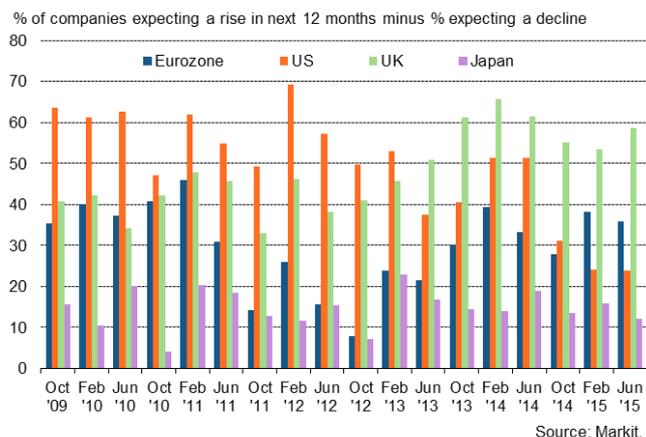


How business activity expectations have changed since February

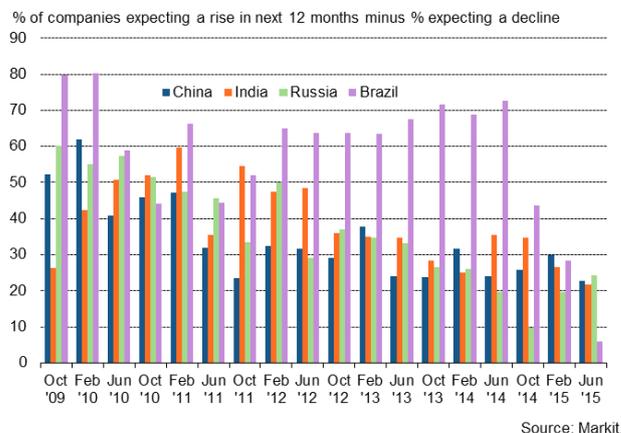


Long-term trends in expected future business activity levels in key economies

Key developed economies



Key emerging markets



-Ends-

Full data available on request from economics@markit.com

Contact Information:

Senior Economist

Jack Kennedy
 Telephone +44-1491-461-087
 Email jack.kennedy@markit.com

Corporate Communications

Joanna Vickers
 Telephone +44-207-260-2234
 Email joanna.vickers@markit.com

Notes to Editors:

The Global Business Outlook Survey for worldwide manufacturing and services is produced by Markit Economics and is based on a survey of around 11,000 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 12 and 26.

The countries covered by the survey are the US, Japan, Germany, the UK, France, Italy, Spain, Ireland, Austria*, the Netherlands*, Greece*, the Czech Republic*, Poland*, Brazil, Russia, India and China. (*Manufacturing only)

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 Markit Economics 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, fax, 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 0.0 signalling a neutral outlook for the coming twelve months. Values above 0.0 indicate optimism amongst companies regarding the outlook for the coming twelve months while values below 0.0 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 11,000 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 6,500 firms.

About Markit

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Markit Economics is a specialist compiler of business surveys and economic indices, including the Purchasing Managers' Index (PMI™) series, which is now available for over 30 countries and key regions including the Euro zone and BRIC. The PMIs have become one of the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision-makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/economics.

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