

News Release

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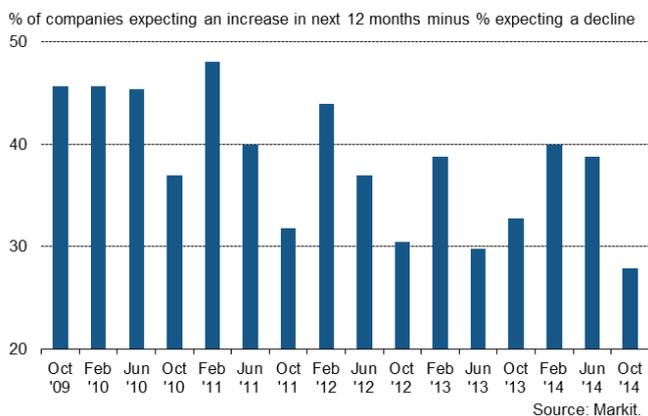
Markit Global Business Outlook

Global business confidence slumps to five-year survey low

- Activity expectations weaken among both manufacturers and service providers
- Hiring and investment plans at or near post-crisis lows
- Price expectations deteriorate further

Data collected 13-29 October 2014

Global business activity future expectations



The Markit Global Business Outlook Survey, which looks at expectations for the year ahead across 6,100 companies, showed optimism falling sharply in October, dropping to the lowest seen since the survey began five years ago. Hiring and investment plans were also at or near post-crisis lows, while price expectations deteriorated further.

The number of companies that expect activity to be higher in a year's time exceeded the number expecting a decline by some +28 percent, but this 'net balance' had stood at +39 percent in the summer.

Optimism in manufacturing fell to its lowest since mid-2013 but remained ahead of that seen in services, where confidence about the outlook slumped to the lowest in the survey's five-year history.

Looking at the world's largest developed countries, business optimism fell across the board.

Of all major countries surveyed, **UK** companies remained the most upbeat about the year ahead, despite expectations about future activity levels dropping to the lowest since June of last year in both manufacturing and services sectors.

However, the most striking development was the extent of the downturn in the **US**, where optimism hit a new survey low, with the service sector seeing a particularly dramatic decline.

Optimism in the **US** nevertheless remained more buoyant than seen in the Eurozone and **Japan**, the latter suffering from especially weak confidence relative to other major countries as optimism slipped to the lowest for two years.

Optimism fell in the **Eurozone** to the weakest since June of last year. Relatively buoyant levels of business confidence in **Spain** and **Italy** were nonetheless the lowest recorded since this time last year and the start of 2014 respectively. Confidence was far lower in **Germany** and especially **France** by comparison, with both 'core' countries seeing the lowest levels of optimism since June of last year.

Business expectations across the main emerging markets fell on average to the lowest seen in the survey's five-year history, though trends varied by country. **Russia** saw the weakest optimism, with expectations for business activity in the year ahead diving to a new survey low. Confidence in **China** picked up slightly from the near-record low seen in the summer, though remained subdued compared to prior years. Optimism in **India** was meanwhile unchanged, though also remained weak by historical standards.

The highest level of confidence among the 'BRIC' economies was therefore seen in **Brazil**, despite expectations sliding to match previous survey record lows.

Employment and capacity expansion

Global hiring intentions slid to within a whisker of the all-time low seen in June of last year, deteriorating in the US, Japan, the UK, the Eurozone, Russia and Brazil. US hiring intentions were notable in sliding to a new survey low. UK firms were the most upbeat about employment plans among major economies, while French firms were the most downbeat, France being the only country where a net drop in employment is indicated for the year ahead.

Global investment intentions also slumped to a new post-crisis low, dropping the US, UK, Japan and Eurozone, as well as in Russia and Brazil. In contrast, capex plans improved in China and India.

Price pressures set to ease further

Companies' expectations of input costs in the year ahead fell to a new survey low in October, the weakest being recorded in the US, linked to lower energy costs in particular. However, input cost expectations also eased in the UK, Eurozone and China.

Firms' selling price expectations also eased, down to the lowest since early-2010. Especially weak price expectations were seen in the US, where the outlook for charges was the weakest seen in the survey's history, and in China, where the expected increase matched the survey-low seen in mid-2012, as well as in France and Spain.

Japan was notable in seeing selling price expectations rise to the second-highest seen in the survey's history.

Long list of worries

The surveys highlight a growing list of concerns among companies about the outlook for the year ahead that led to a cooling of business optimism in recent months. Key threats include fears of a worsening global economic climate, and notably a renewed downturn in the Eurozone, the prospect of higher interest rates in countries such as the UK and US next year, geopolitical risk emanating from crises in Ukraine and the Middle East, plus growing political uncertainty in many countries, notably the US, UK and Japan.

Comment:

"Clouds are gathering over the global economic outlook, presenting the darkest picture seen since the global financial crisis. Companies' hiring and investment intentions have both fallen to post-crisis lows alongside the bleakest outlook for future business activity seen over the past five years.

"Inflationary pressures are expected to ease further, meaning central banks will have leeway to keep policy looser for longer to help support economic growth, especially as the risk of deflation remains a major worry.

"Of greatest concern is the slide in business optimism and expansion plans in the US to the weakest seen over the past five years. US growth therefore looks likely to have peaked over the summer months, with a slowing trend signalled for coming months.

"There's also little sign of the Eurozone's malaise ending any time soon, as companies have become even less optimistic about the outlook. Confidence is weakest in the core countries of Germany and France, with the gloomy mood in the latter being highlighted by France being the only country in the survey in which companies expect to cut staffing levels over the coming year on average.

"The Eurozone's ongoing weakness remains one of the major concerns seen in the global survey, and especially in the UK, where optimism waned further from the post-crisis high seen at the start of the year. However, firms in the UK remain more optimistic than in any other major developed or emerging country, suggesting the UK will continue to outperform its peers in 2015, albeit with growth slowing from that seen in 2014.

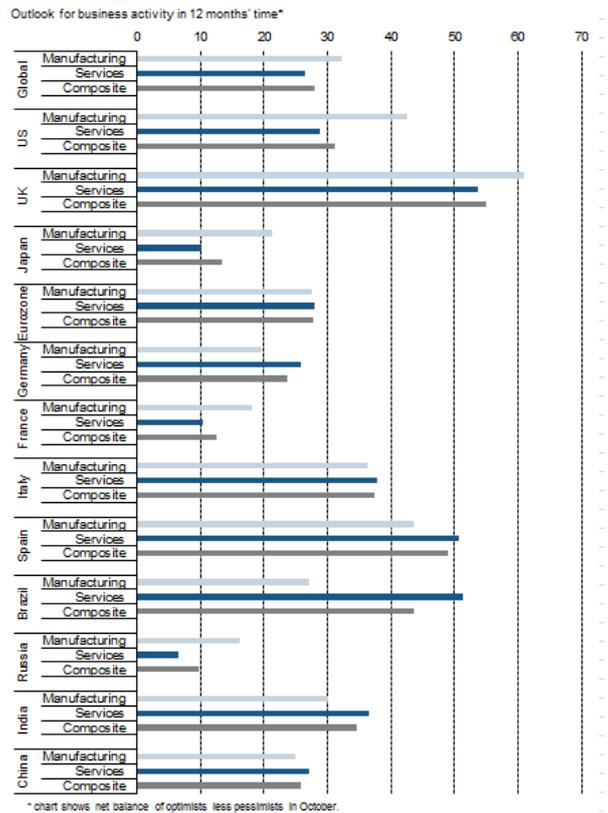
"Optimism in Japan continued to lag behind that of the US, UK and even the Eurozone, dropping to a two-year low to suggest companies have become increasingly disillusioned with the potential for 'Abenomics' to boost growth, although there are signs that Japan's recent deflation-beating policies will continue to drive prices higher next year.

"A key factor that has held back economic growth in recent years has been the disappointing performance of major emerging market economies, and this looks set to continue, and perhaps even intensify, over the coming year. Across the four 'BRIC' emerging markets, business optimism has sunk to the lowest seen since

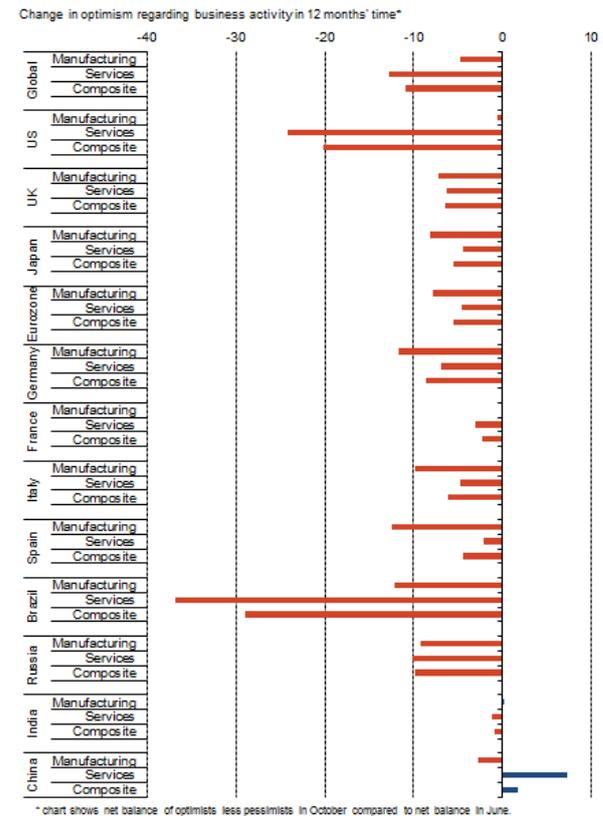
the financial crisis. Russia is the biggest concern, with sanctions, a spiralling currency and uncertainty driving business expectations down sharply to a new low. A slight upturn in business expectations in China provides some hope that companies there are at least not expecting a hard landing.”

Chris Williamson, Chief Economist, Markit

Business optimism in October

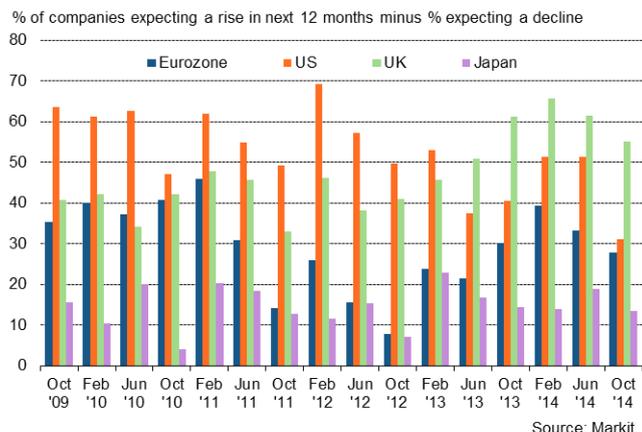


How business activity expectations have changed since June

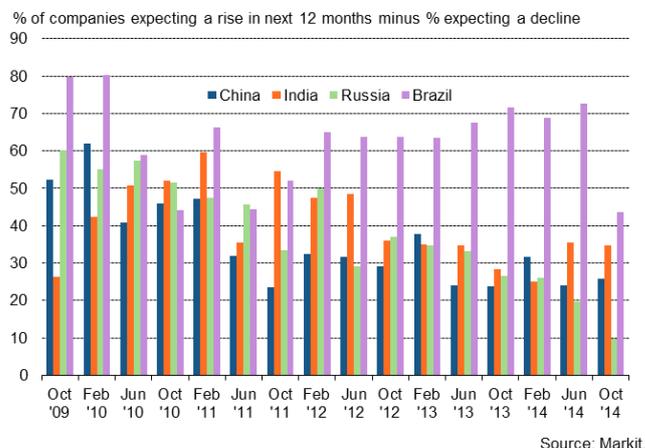


Long-term trends in expected future business activity levels in key economies

Key developed economies



Key emerging markets



-Ends-

Full data available on request from economics@markit.com

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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 October 13 and 29.

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 6,100 firms.

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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 32 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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