

KPMG Business Outlook Survey



The Business Outlook Survey is produced by Markit Economics and sponsored by KPMG LLP. The report features original survey data which provide internationally comparable information on business expectations for the year ahead in the main European economies. The survey is conducted four times each year, covering manufacturing in January and July and services in April and October.

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Guarded upturn in business expectations in EU services. Inflationary pressures set to fade further.

Key points from latest services outlook survey:

- The twelve-month outlook for the volume of business activity turned positive. The net balance improved to +18.0, from -2.9 last October. This was the first rise in two years.
- Confidence in the UK service sector (+26.4) is stronger than in the Eurozone as a whole (+14.6). Italy posted the highest net balance overall (+33.1).
- Business revenues are also expected to rise, but to a lesser extent than that indicated by the volume measure. The net balance rose to +7.7, from -7.2.
- The weaker expected rise in revenues compared to business volumes suggests that competitive pressures will be intense. Correspondingly, the net balance for prices charged over the next twelve months remains negative, at -5.0 (from +8.3 six months previously).
- Profits are expected to fall, but to a lesser degree than over the previous period. The net balance improved from -21.1 to -4.1.
- The outlook for services employment remains negative, with a net balance of -9.1.
- All four net balances for input costs sank to their lowest levels in the survey history. The greatest downward pressure is expected for the cost of outsourced services (-4.6).
- The total value of outsourced work is expected to fall, with the net balance little-changed from October at -7.3.
- Firms also expect to continue cutting back on capital expenditure, as the net balance remains negative at -15.0.

* Data from the EU Service Sector Business Outlook Survey were first collected in April 2006.

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.

1 Executive summary

The latest EU Services Business Outlook survey provides signs that the economic crisis in the region may abate over the next twelve months. That said, most survey variables remained at historically weak levels.

Mildly positive expectations for business volumes and revenues

Net balances for business volumes, revenues and incoming new business all improved in April compared to those posted six months earlier. Overall, 39.5% of service providers in the EU expect growth in their volumes of business activity over the next twelve months, compared to 21.5% forecasting declines.

The net balance for business revenues (+7.7) was lower than that for business volumes (+18.0), suggesting that service providers plan to engage in aggressive promotional activity in order to retain market shares and win new business, as weak underlying demand in the economy encourages price competition. The net balance for output prices was at its lowest level to date at -5.0.

UK services outlook improves but Germany exerts drag on Euro area prospects

Growth of business activity and revenues is expected in the UK service sector (+26.4, +19.2). Of the six countries covered, only Italy posted better outcomes (+33.1, +25.9). But activity and revenues are expected to fall at German service providers (-3.3, -11.3), dragging down Eurozone expectations (+14.6, +3.0). Activity and revenues are forecast to rise in France, while Spain will see aggressive discounting as volumes grow but revenues fall. Ireland posted the worst net balances for activity and revenues of all the countries covered.

Inflationary pressures to soften further

The latest survey findings underlined the emerging picture of fading inflationary pressures. All four net balances for input costs – total, staff, outsourced and other – slipped to new lows. Cost pressures for outsourced services are expected to decline sharpest (-4.6), followed by other non-staff costs (-2.4).

Profits remain under threat

Although the volume of services activity is forecast to rise over the next twelve months, sluggish growth of revenues resulting from weak output pricing power is expected to hit profits further, as competitive pressure in the market place remains intense. The net balance for profits remained negative, at -4.1. This was, however, an improvement from the record low of -21.1 posted last October when global financial markets crashed.

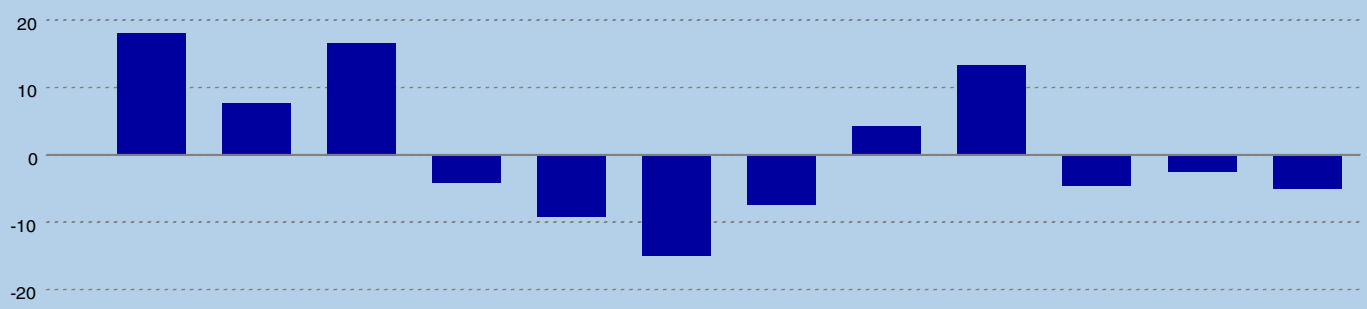
Labour market weakness will persist

Service sector companies in the EU expect to lose more staff over the current outlook period, despite the cautious improvement in business sentiment compared to six months previously. The net balance for employment recovered some ground since October but remained negative at -9.1. By country, Irish, German and Spanish companies were most pessimistic. All countries posted negative readings except Italy (+0.0).

Capital spending and outsourcing set to fall

Although the latest survey findings point to a modest recovery of the service sector over the coming year and weaker cost pressures, firms are, on average, expecting to cut both capital spending and outsourced business. The respective net balances of -15.0 and -7.3 were only slight improvements from those recorded six months previously. Germany posted the lowest net balance for outsourcing (-19.3) and the second-lowest for capital spending (-26.6) behind Ireland (-43.8).

	Business activity	Business revenues	New business	Profits	Employment	Capital spending	Outsourcing	Input costs (total)	Staff costs	Outsourced service costs	Other costs	Prices charged
Apr '08	+30.2	+23.8	+25.2	+7.6	+12.2	+3.7	+2.7	+50.9	+56.5	+31.2	+28.8	+26.4
Oct '08	-2.9	-7.2	-3.1	-21.1	-14.4	-18.4	-7.0	+24.3	+35.4	+11.1	+14.2	+8.3
Apr '09	+18.0	+7.7	+16.6	-4.1	-9.1	-15.0	-7.3	+4.2	+13.3	-4.6	-2.4	-5.0



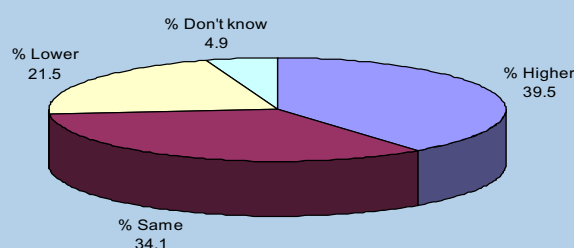
The Business Outlook Survey uses net balances to indicate the degree of future optimism or pessimism for each of the survey variables. These net balances vary between -100 and +100, with a value of 0.0 signalling a neutral outlook for the coming twelve months. Values above 0.0 indicate optimism amongst 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.

2 Business activity (volume of work)

- Confidence at EU service providers recovered modestly in April. The twelve-month outlook for business activity is positive, with a net balance of +18.0.
- Despite rising from October's -2.9, the latest figure was still lower than in any other period covered since the survey started in April 2006.
- Italy registered the greatest degree of optimism in October, following a relatively strong showing in the previous survey period. The net balance rose from +4.9 to +33.1.
- Services activity is expected to fall over the next twelve months in Ireland and Germany.
- Post & Telecommunications and Transport & Storage registered the strongest net balances.

Total EU

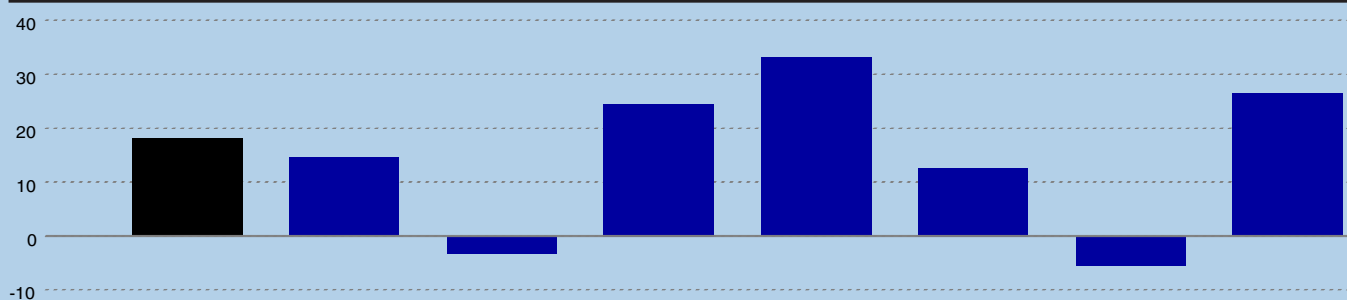
Q. Please state whether you expect your business activity levels (volume of work) to be higher, the same or lower in twelve months' time compared to current levels.



By country / area

% net balances

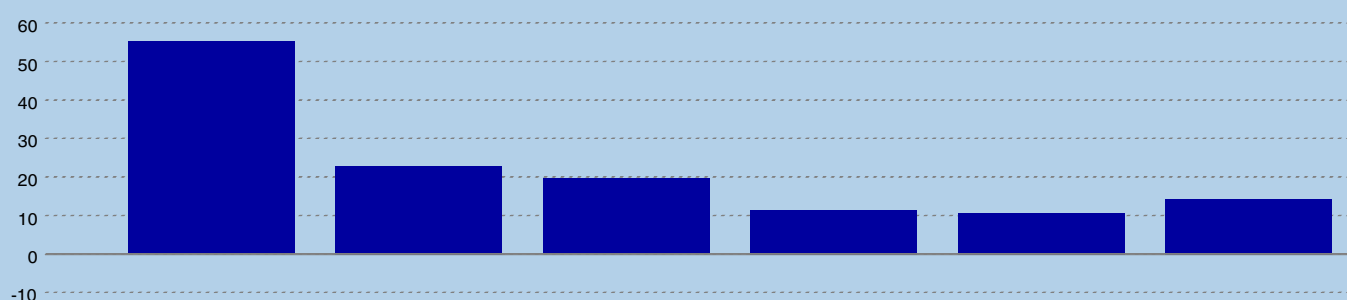
	EU	Euro zone	Germany	France	Italy	Spain	Ireland	UK
Apr '08	+30.2	+32.6	+33.3	+38.7	+35.1	+15.4	+23.2	+24.3
Oct '08	-2.9	-5.5	+0.0	-15.9	+4.9	-13.7	-7.3	+3.4
Apr '09	+18.0	+14.6	-3.3	+24.5	+33.1	+12.6	-5.6	+26.4



By sector

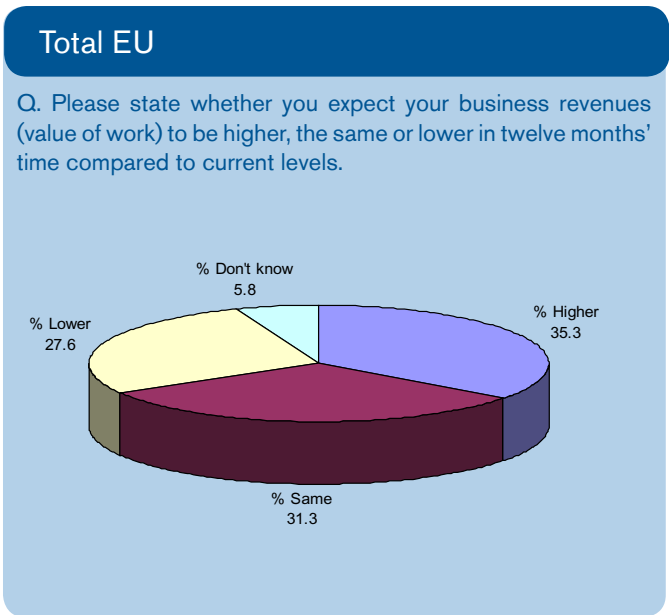
% net balances

	Post & Telecomms	Transport & Storage	Renting & Business Services	Hotels & Restaurants	Financial Intermediation	Other
Apr '08	+5.2	+32.8	+36.0	+9.7	+26.0	+41.6
Oct '08	+1.1	-5.4	-2.3	-27.2	+9.8	+4.1
Apr '09	+55.3	+22.9	+19.7	+11.4	+10.7	+14.3



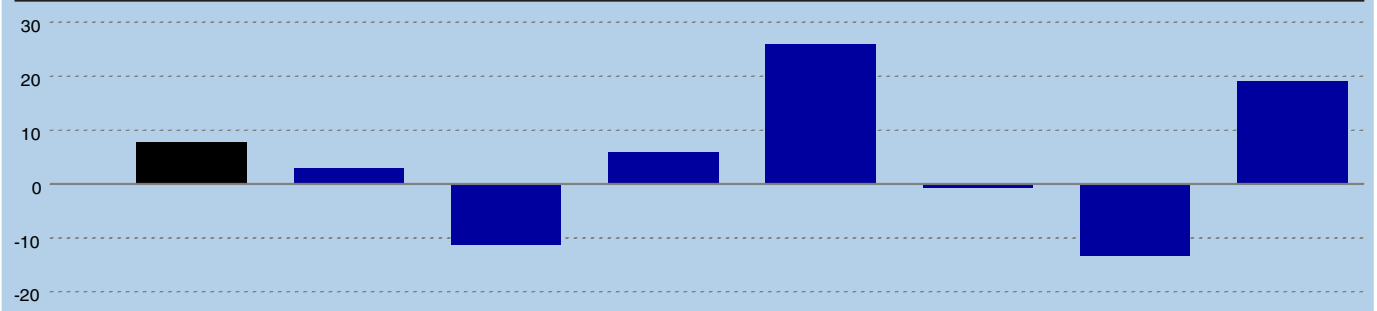
3 Business revenues (value of work)

- EU service providers expect a slight rise in business revenues over the next twelve months. The net balance improved to +7.7, from the record low of -7.2 last October.
- Revenues are forecast to rise in Italy, the UK and France.
- Revenues are set to fall in Ireland and Germany, in line with expected activity volumes.
- A slight fall in revenues is anticipated in Spain despite expected growth in the volume of business.
- Post & Telecommunications registered the best twelve-month outlook for business revenues, followed by Financial Intermediation.



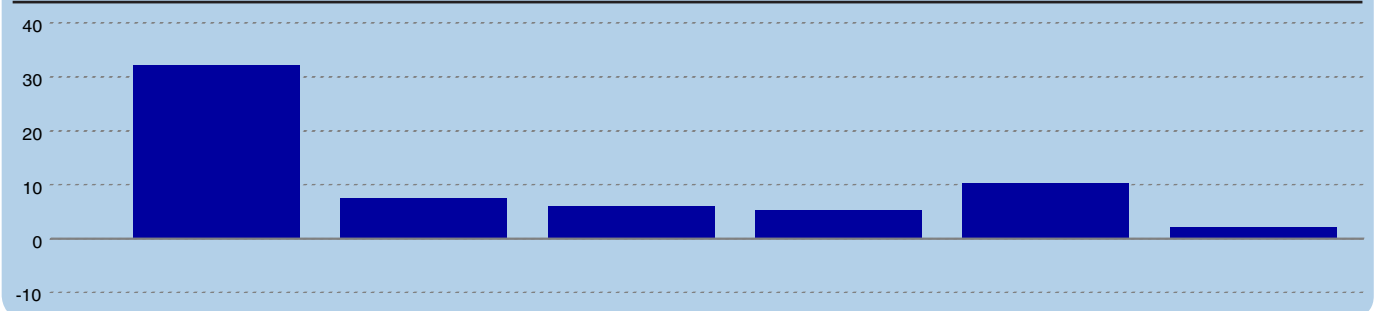
By country / area % net balances

	EU	Euro zone	Germany	France	Italy	Spain	Ireland	UK
Apr '08	+23.8	+24.3	+29.4	+20.4	+31.3	+9.6	+18.0	+22.6
Oct '08	-7.2	-9.1	+0.8	-25.6	+1.4	-14.2	-17.5	-2.8
Apr '09	+7.7	+3.0	-11.3	+5.9	+25.9	-0.6	-13.2	+19.2



By sector % net balances

	Post & Telecomms	Transport & Storage	Renting & Business Services	Hotels & Restaurants	Financial Intermediation	Other
Apr '08	+12.9	+24.1	+22.1	+1.7	+6.6	+39.2
Oct '08	+0.8	-0.4	-6.2	-28.8	-10.0	+0.8
Apr '09	+32.2	+7.5	+6.1	+5.3	+10.3	+2.1



4 Business revenues (value of work)

- An improved domestic economy is the most commonly quoted factor expected to bring about higher revenues over the coming year.
- This is closely linked to gaining new clients, new business from existing clients and the launch of new product ranges (in turn linked to marketing activity).
- UK service providers see marketing activity as more important than their Eurozone counterparts.
- A worsening domestic economy, linked to the ongoing credit crunch and lower new business, is cited as the main factor likely to depress revenues.
- The UK and Ireland both see political factors as relatively important.

Total EU

Q. Please state the main factors likely to generate growth of business revenues for your company over the coming year?

Top 3 factors expected to boost revenues:

	EU %*	EZ %*
Improving domestic economy	20.6	23.6
New clients / orders	13.7	15.7
New markets / products	11.4	11.7

Q. Please state the main factors likely to cause a decline in business revenues for your company over the coming year?

Top 3 factors expected to reduce revenues:

	EU %*	EZ %*
Declining domestic economy	22.5	25.0
Less orders / clients	14.8	16.3
Credit crunch	10.1	9.5

Factors expected to BOOST business revenues by country / area

% respondents*	Improving domestic economy	New orders/ clients	New markets/ products	Improving international economy	Increased investment	Marketing activity	Financial market recovery	Productivity/ lower costs	Political factors ¹	Failure of competitors	Other ²
EU	20.6	13.7	11.4	7.2	7.1	6.4	5.8	5.2	5.1	4.4	12.9
EZ	23.6	15.7	11.7	7.3	8.2	4.1	5.0	5.7	2.9	3.5	12.4
Germany	19.9	18.0	12.4	8.7	6.8	5.6	4.3	9.3	4.3	2.5	8.1
France	34.7	14.3	6.1	0.0	16.3	6.1	6.1	4.1	0.0	0.0	12.2
Italy	13.9	13.9	16.5	16.5	3.8	0.0	3.8	3.8	3.8	6.3	17.7
Spain	24.4	15.9	14.6	4.9	2.4	2.4	6.1	3.7	2.4	7.3	15.9
Ireland	24.1	13.3	8.4	7.2	2.4	4.8	7.2	2.4	10.8	12.0	7.2
UK	13.6	9.1	10.9	6.8	4.5	11.8	7.7	4.1	10.5	6.8	14.1

¹ Includes favourable tax/regulation, government incentives, elections and increased public sector spending.

² Includes housing market recovery, consumer confidence, exchange rates, interest rates and mergers & acquisitions.

Factors expected to REDUCE business revenues by country / area

% respondents*	Declining domestic economy	Less orders/ clients	Credit crunch	Declining international economy	Increased competition	Political factors ¹	Company closures	Unemployment	Increased costs	Lower output prices	Other ²
EU	22.5	14.8	10.1	9.8	9.7	7.4	4.7	4.3	3.5	2.0	11.2
EZ	25.0	16.3	9.5	12.3	9.8	4.4	3.0	4.3	3.8	1.5	10.0
Germany	29.9	16.6	9.6	7.6	5.1	5.7	7.0	4.5	5.7	1.9	6.4
France	17.9	17.9	12.5	12.5	19.6	0.0	0.0	5.4	3.6	0.0	10.7
Italy	23.5	12.9	5.9	24.7	5.9	8.2	0.0	2.4	2.4	1.2	12.9
Spain	31.3	17.7	9.4	5.2	8.3	1.0	4.2	5.2	2.1	4.2	11.5
Ireland	18.9	16.0	6.6	3.8	3.8	21.7	3.8	3.8	0.9	2.8	17.9
UK	16.5	11.1	11.5	3.7	9.5	14.8	8.6	4.1	2.9	3.3	14.0

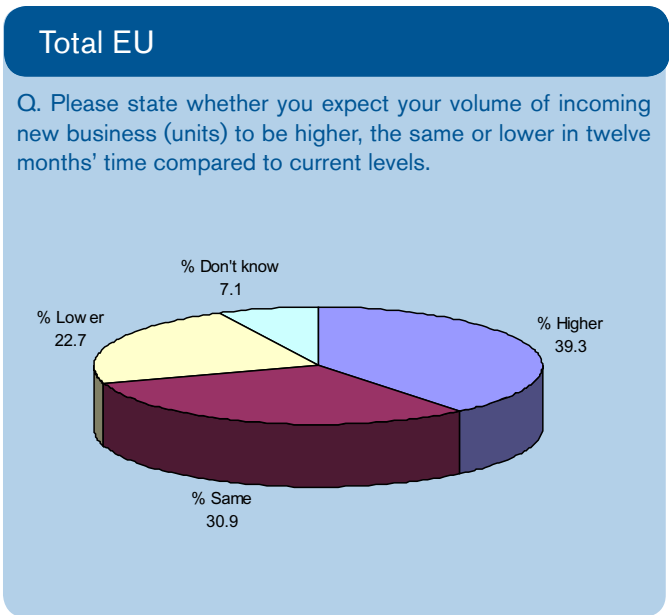
¹ Includes unfavourable tax/regulation, ending of government incentives, elections and reduced public sector spending.

² Includes housing market weakness, consumer confidence, exchange rates, interest rates and bad debtors.

* The factors listed in the tables above represent the summation of information provided to Markit Economics by respondents to an open question. Please note that more than one factor was frequently cited by individual companies. The figures listed in the tables represent the percentage of survey respondents citing each factor.

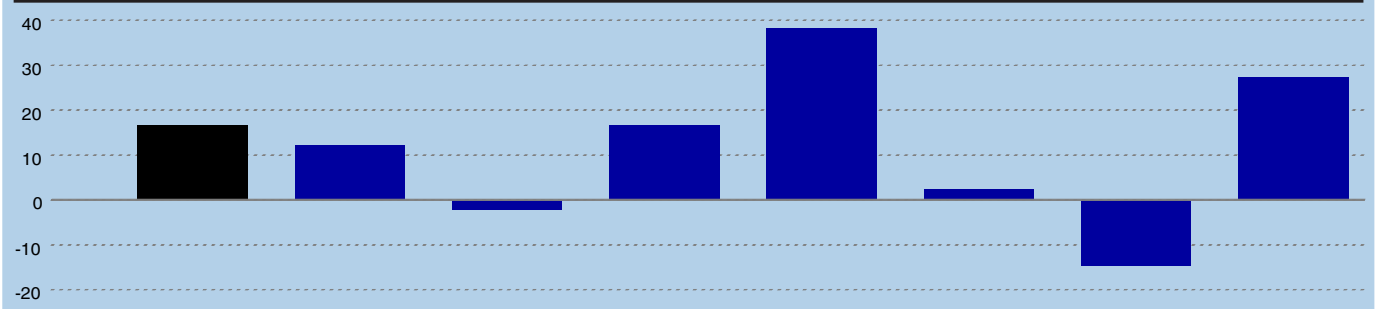
5 New Business (volume of work)

- The twelve-month outlook for new business volumes in the EU service sector turned positive in April.
- The net balance recovered from its all-time low of -3.1, to +16.6, though the latest reading was still the second-weakest in the survey history.
- The strongest optimism for new business growth was held in Italy, followed by the UK.
- New business is forecast to decline over the next twelve months in Ireland and Germany.
- All six sectors covered registered positive expectations for new business growth, led by Post & Telecommunications.



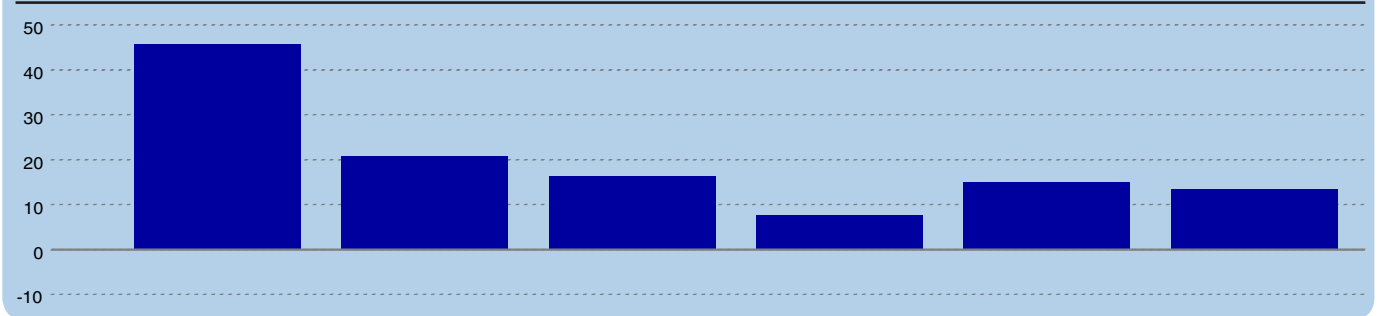
By country / area % net balances

	EU	Euro zone	Germany	France	Italy	Spain	Ireland	UK
Apr '08	+25.2	+26.1	+23.4	+35.5	+32.8	+3.7	+15.9	+23.2
Oct '08	-3.1	-4.3	-4.0	-4.9	+7.7	-21.9	-10.7	-0.3
Apr '09	+16.6	+12.2	-2.2	+16.7	+38.1	+2.3	-14.6	+27.4



By sector % net balances

	Post & Telecomms	Transport & Storage	Renting & Business Services	Hotels & Restaurants	Financial Intermediation	Other
Apr '08	+10.0	+21.9	+29.1	+9.5	+17.9	+37.5
Oct '08	+5.2	-8.0	-3.2	-21.4	+4.1	+11.3
Apr '09	+45.7	+20.8	+16.2	+7.6	+15.0	+13.4

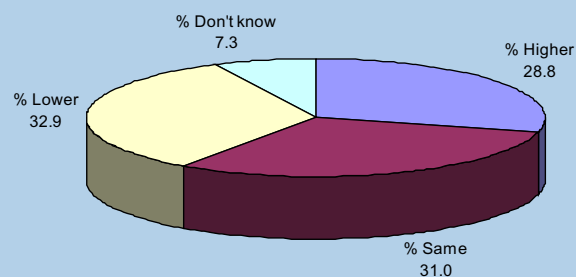


6 Profits

- A negative twelve-month outlook for profits in the EU service sector persisted in April. However, the net balance rose from -21.1 to -4.1, indicating a weaker overall degree of pessimism.
- Irish service providers recorded the worst outlook for profits over the coming year, with the net balance little-changed at -26.4, from -28.2 last October.
- Services firms in the UK and Italy expect profits to rise over the next twelve months.
- The highest net balance by sector was posted in Financial Intermediation, and the lowest in Transport & Storage.

Total EU

Q. Please state whether you expect profits at your company to be higher, the same or lower in twelve months' time compared to the current level.



By country / area

% net balances

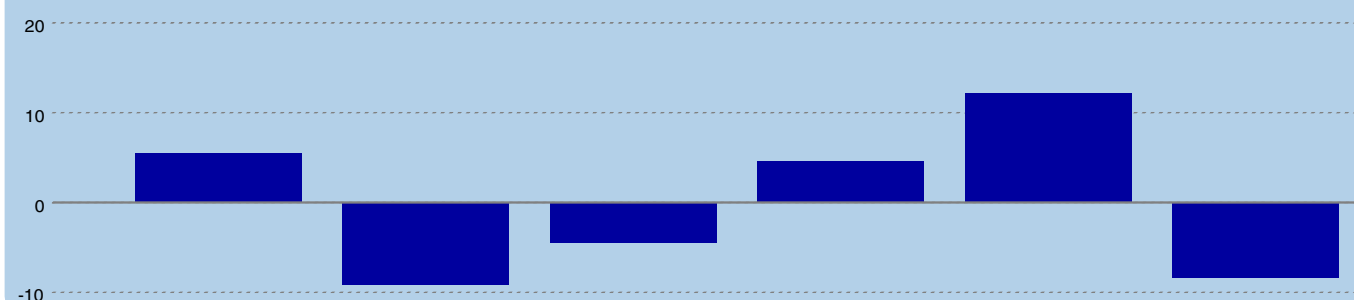
	EU	Euro zone	Germany	France	Italy	Spain	Ireland	UK
Apr '08	+7.6	+5.9	+6.0	+17.2	+7.6	-20.6	+2.1	+11.7
Oct '08	-21.1	-26.6	-26.5	-31.7	-16.2	-32.2	-28.2	-8.0
Apr '09	-4.1	-10.1	-17.9	-7.8	+5.8	-17.2	-26.4	+10.1



By sector

% net balances

	Post & Telecomms	Transport & Storage	Renting & Business Services	Hotels & Restaurants	Financial Intermediation	Other
Apr '08	+1.7	-2.6	+15.5	-16.2	-7.1	+22.2
Oct '08	-22.9	-30.3	-16.6	-48.8	-20.9	-7.2
Apr '09	+5.6	-9.1	-4.4	+4.6	+12.2	-8.4

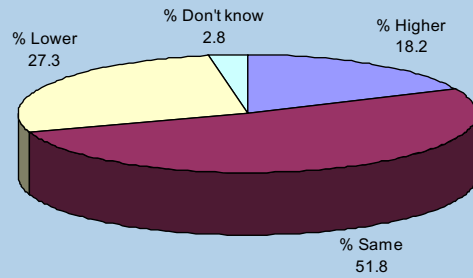


7 Employment

- The net balance for services employment remained negative in April, signalling expectations of a decline in headcounts in the sector over the next twelve months.
- The degree of pessimism was less marked than that registered last October.
- Italy posted neutral expectations for services employment.
- All other Eurozone countries covered registered worse net balances than the UK.
- Financial Intermediation recorded the worst prospects for employment of the six sectors covered. In contrast, net growth of workforces is expected in Post & Telecommunications.

Total EU

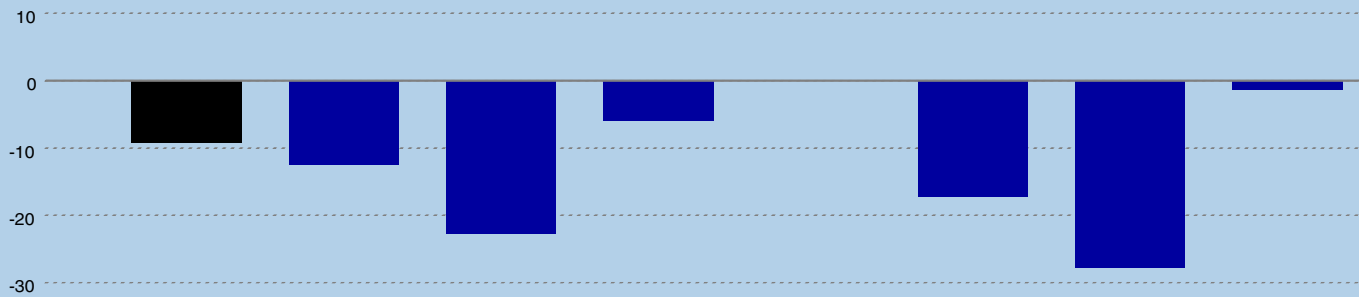
Q. Please state whether you expect the overall level of employment at your company to be higher, the same or lower in twelve months' time compared with the current level.



By country / area

% net balances

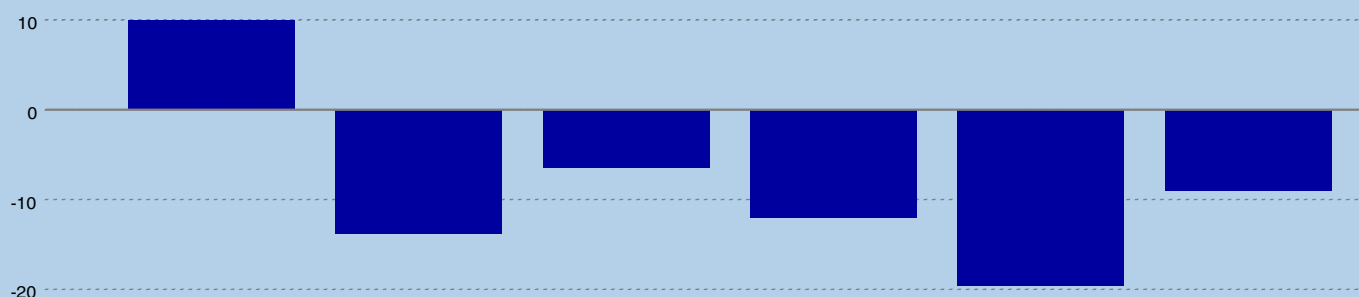
	EU	Euro zone	Germany	France	Italy	Spain	Ireland	UK
Apr '08	+12.2	+13.6	+11.9	+23.7	+13.0	-0.7	+1.3	+8.8
Oct '08	-14.4	-14.8	-12.0	-17.1	-7.7	-26.2	-26.5	-13.3
Apr '09	-9.1	-12.4	-22.6	-5.9	+0.0	-17.2	-27.8	-1.3



By sector

% net balances

	Post & Telecomms	Transport & Storage	Renting & Business Services	Hotels & Restaurants	Financial Intermediation	Other
Apr '08	+5.6	+6.3	+17.7	-2.6	+2.5	+17.8
Oct '08	-20.0	-16.1	-12.2	-33.6	-65.6	-7.6
Apr '09	+9.9	-13.7	-6.4	-12.0	-19.6	-8.9

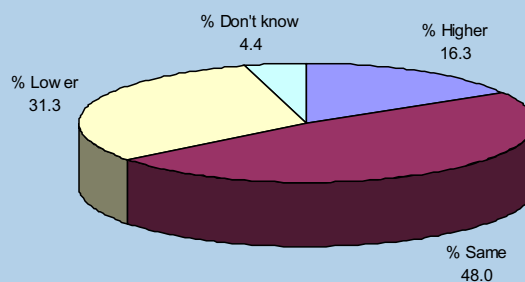


8 Capital spending

- Capital spending in the EU service sector is forecast to decline over the next twelve months.
- The net balance posted -15.0, a marginal rise from -18.4 last October.
- All six countries covered posted negative outlooks.
- The worst sentiment was posted in Ireland, where the net balance of -43.8 was little-changed from -45.7 in October.
- Financial Intermediation expects to see the sharpest fall in capital spending, with a net balance of -29.2 firms reporting negative expectations.

Total EU

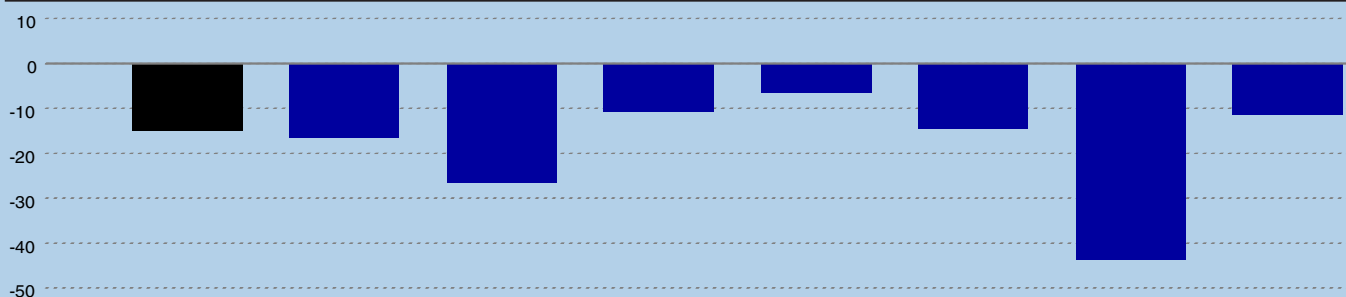
Q. Please state whether you expect the value of capital spending by your company (measured in 'real' terms) to be higher, the same or lower in twelve months' time compared to the current level.



By country / area

% net balances

	EU	Euro zone	Germany	France	Italy	Spain	Ireland	UK
Apr '08	+3.7	+6.9	+4.5	+11.8	+10.7	-0.7	-8.2	-4.1
Oct '08	-18.4	-14.8	-20.9	-13.4	-2.8	-15.8	-45.7	-26.9
Apr '09	-15.0	-16.5	-26.6	-10.8	-6.5	-14.4	-43.8	-11.3



By sector

% net balances

	Post & Telecomms	Transport & Storage	Renting & Business Services	Hotels & Restaurants	Financial Intermediation	Other
Apr '08	+18.2	+16.8	+5.0	-19.1	-10.1	+1.2
Oct '08	-18.6	-14.5	-15.8	-41.4	-22.3	-13.4
Apr '09	-4.7	-12.9	-12.7	-14.8	-29.2	-16.0

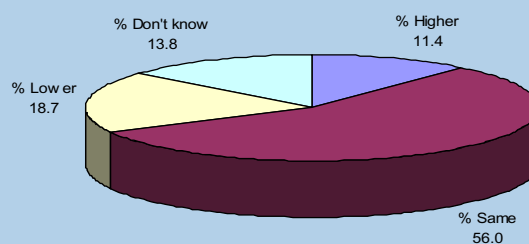


9 Outsourcing

- The value of activity outsourced by EU service providers is expected to decline over the next twelve months.
- The degree of pessimism was little-changed since last October, as the net balance edged up to -7.3 from -7.0.
- Of the six countries covered, only Italy forecasts an increase in service sector outsourcing over the current outlook period.
- The worst sentiment was posted in Germany.
- Outsourcing is expected to decline across all six sectors, led by Transport & Storage and Financial Intermediation.

Total EU

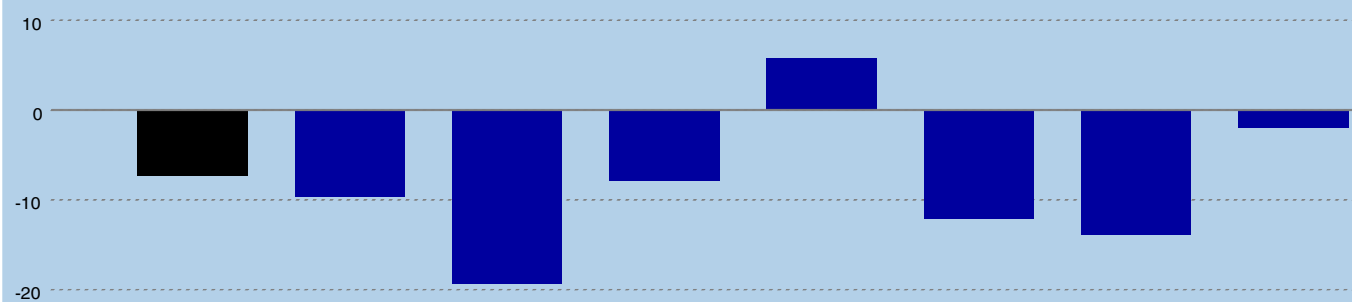
Q. Please state whether you expect the value of outsourcing of business activities by your company (measured in 'real' terms) to be higher, the same or lower in twelve months' time compared with the current level.



By country / area

% net balances

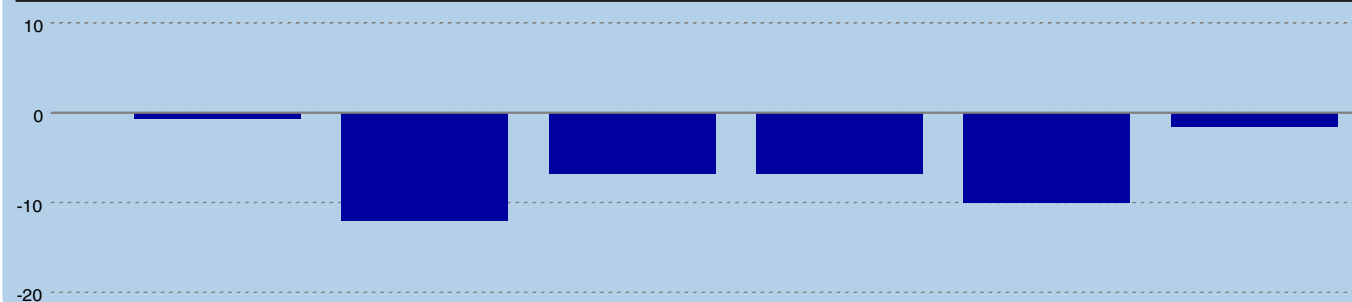
	EU	Euro zone	Germany	France	Italy	Spain	Ireland	UK
Apr '08	+2.7	+3.0	-12.9	+21.5	+6.1	-0.7	+3.0	+1.8
Oct '08	-7.0	-7.1	-12.9	+1.2	-9.9	-4.9	-10.7	-6.8
Apr '09	-7.3	-9.6	-19.3	-7.8	+5.8	-12.1	-13.9	-1.9



By sector

% net balances

	Post & Telecomms	Transport & Storage	Renting & Business Services	Hotels & Restaurants	Financial Intermediation	Other
Apr '08	+4.9	+2.6	+3.3	+2.0	+0.8	+2.7
Oct '08	-13.9	-6.3	-5.4	-9.8	-13.9	-7.4
Apr '09	-0.6	-12.0	-6.8	-6.7	-9.9	-1.5

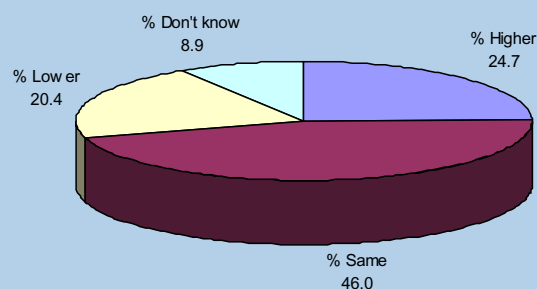


10 Input costs (total)

- Price expectations across the EU service sector economy were at their lowest in the short survey history in April.
- The net balance fell to +4.2, from +24.3 last October.
- All six countries covered registered the lowest net balances since data were first collected in April 2006. Three were negative, led by Ireland.
- The Eurozone as a whole posted a negative net balance, of -0.7.
- Five sectors posted positive net balances, but they were at or close to record lows. Financial Intermediation posted the weakest outlook for price pressures.

Total EU

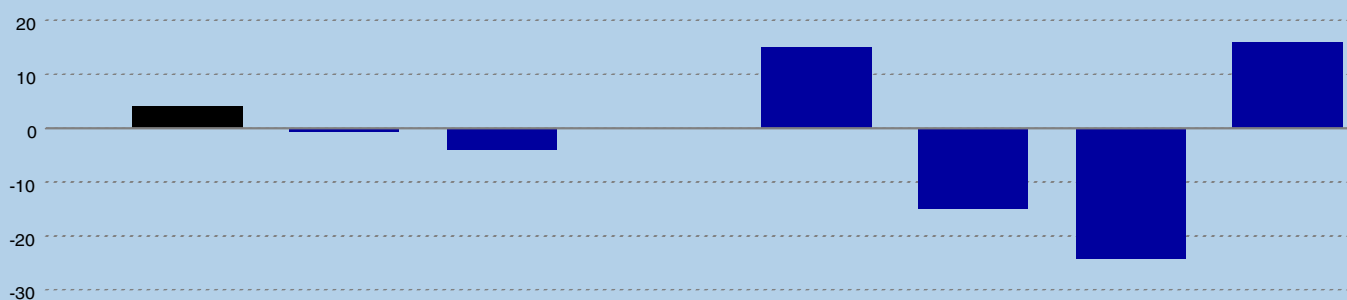
Q. Please state whether you expect the annual rate of growth of average input prices paid by your company to be higher, the same or lower in twelve months' time compared with the current rate.



By country / area

% net balances

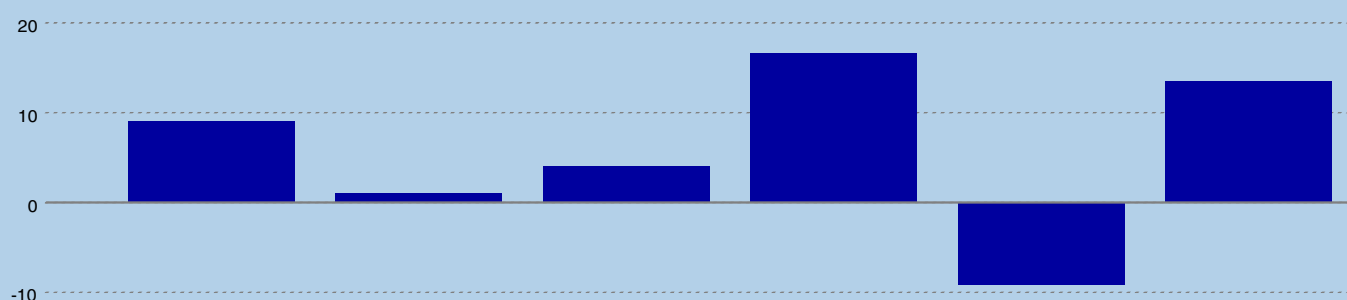
	EU	Euro zone	Germany	France	Italy	Spain	Ireland	UK
Apr '08	+50.9	+52.1	+53.7	+51.6	+55.7	+46.3	+33.5	+48.1
Oct '08	+24.3	+27.6	+37.8	+15.9	+31.7	+23.5	+9.8	+16.4
Apr '09	+4.2	-0.7	-4.0	+0.0	+15.1	-14.9	-24.3	+16.0



By sector

% net balances

	Post & Telecomms	Transport & Storage	Renting & Business Services	Hotels & Restaurants	Financial Intermediation	Other
Apr '08	+32.4	+68.1	+49.1	+71.0	+21.8	+45.5
Oct '08	+26.2	+19.3	+24.9	+27.5	+15.8	+34.8
Apr '09	+9.0	+1.0	+4.1	+16.7	-9.2	+13.5

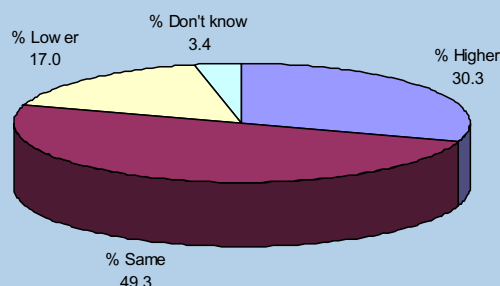


11 Input costs (staff costs)

- In line with the overall trend for input costs, the twelve-month outlook for staff costs was the weakest registered by the survey to date in April.
- The net balance declined to +13.3, from +35.4 last October.
- In line with the trend seen during the previous outlook period, the Eurozone registered stronger staff cost pressures than the UK.
- Staff cost expectations turned sharply negative in Ireland, where the net balance dived to -31.3, from +11.5.
- Net balances declined across all six sectors.

Total EU

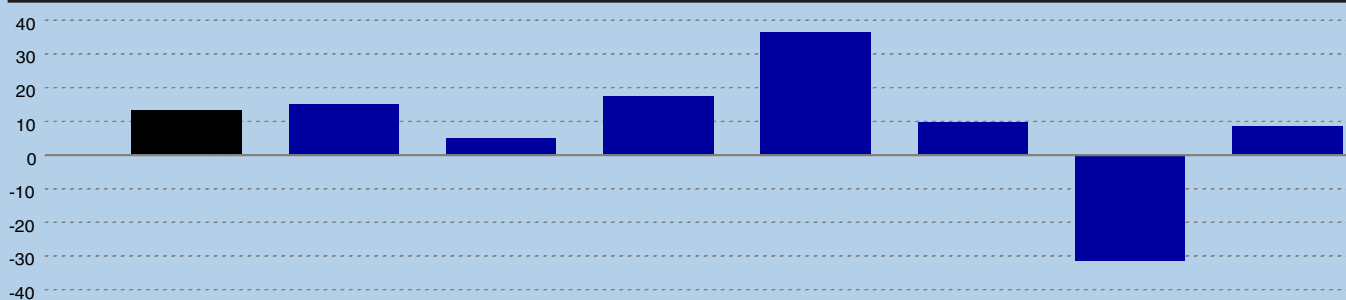
Q. Please state whether you expect the annual rate of growth of average staff costs faced by your company to be higher, the same or lower in twelve months' time compared with the current rate.



By country / area

% net balances

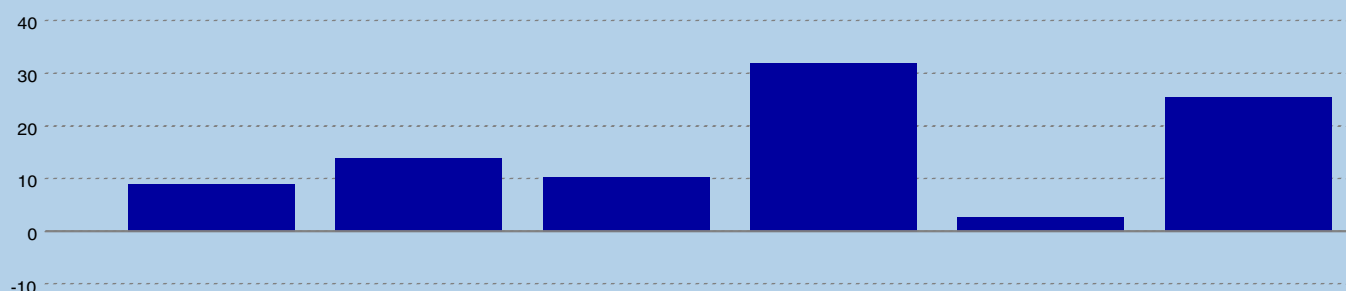
	EU	Euro zone	Germany	France	Italy	Spain	Ireland	UK
Apr '08	+56.5	+59.9	+57.2	+64.5	+64.9	+52.2	+42.1	+48.4
Oct '08	+35.4	+40.3	+46.2	+30.5	+45.1	+43.7	+11.5	+23.8
Apr '09	+13.3	+15.2	+5.1	+17.6	+36.7	+9.8	-31.3	+8.5



By sector

% net balances

	Post & Telecomms	Transport & Storage	Renting & Business Services	Hotels & Restaurants	Financial Intermediation	Other
Apr '08	+56.4	+65.3	+55.9	+73.7	+34.0	+56.1
Oct '08	+33.7	+39.9	+30.3	+45.0	+28.8	+57.4
Apr '09	+9.0	+14.0	+10.3	+31.9	+2.8	+25.6

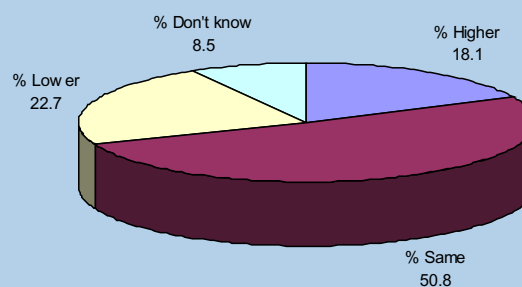


12 Input costs (bought-in/outsourced services)

- Price expectations for outsourced services were negative in April.
- The net balance fell to its lowest level to date, at -4.6, from +11.1 six months previously.
- Pressure on outsourcing costs is expected to fade most significantly in Ireland and Spain.
- The highest net balance was shown in Italy, but it was still the lowest of that series. Meanwhile, the net balance in the UK was close to October's record low.
- Financial services posted the weakest net balance in April. Four of the five remaining sectors posted record low net balances.

Total EU

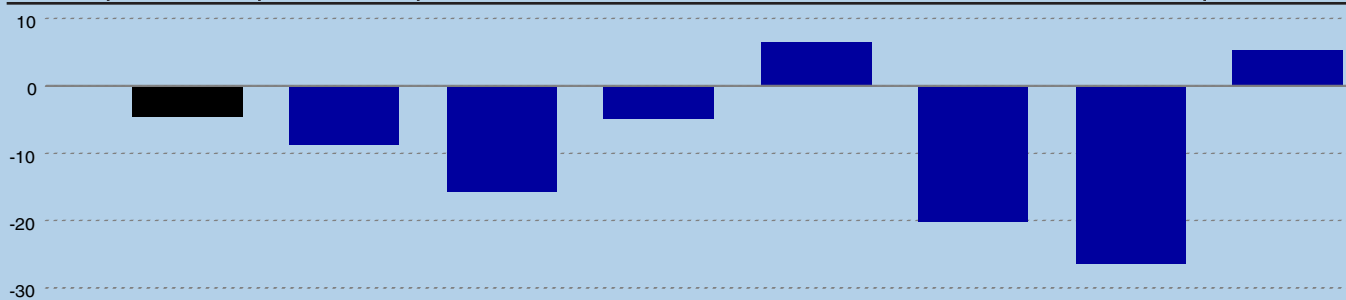
Q. Please state whether you expect the annual rate of growth of average prices paid for bought-in/outsourced services by your company to be higher, the same or lower in twelve months' time compared with the current rate.



By country / area

% net balances

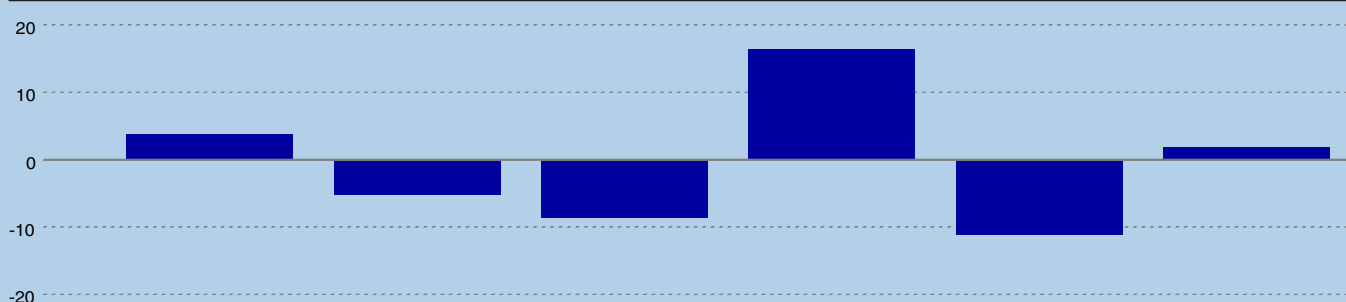
	EU	Euro zone	Germany	France	Italy	Spain	Ireland	UK
Apr '08	+31.2	+33.2	+23.9	+38.7	+45.8	+27.9	+14.6	+26.4
Oct '08	+11.1	+13.8	+11.6	+7.3	+24.6	+19.7	-9.0	+4.6
Apr '09	-4.6	-8.7	-15.7	-4.9	+6.5	-20.1	-26.4	+5.3



By sector

% net balances

	Post & Telecomms	Transport & Storage	Renting & Business Services	Hotels & Restaurants	Financial Intermediation	Other
Apr '08	+15.2	+39.1	+28.7	+54.3	+24.4	+18.3
Oct '08	-8.9	+13.7	+12.7	+22.0	-6.1	+17.4
Apr '09	+3.7	-5.1	-8.6	+16.5	-11.1	+1.9

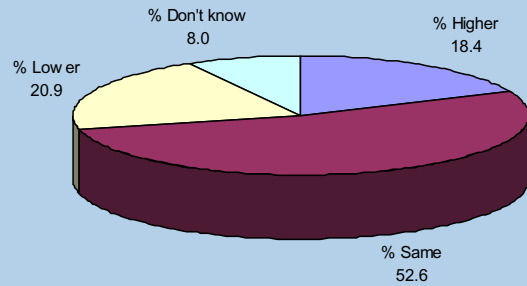


13 Input costs (all other)

- The net balance for all other non-staff costs also hit a record low in April, of -2.4.
- The Eurozone service sector signalled steeper downward price pressures than the UK although, in both cases, the respective net balances were at record lows.
- The weakest overall pressure on non-staff costs is expected in Ireland, followed by Spain.
- Non-staff cost pressures are expected to decline sharpest in Financial Intermediation.

Total EU

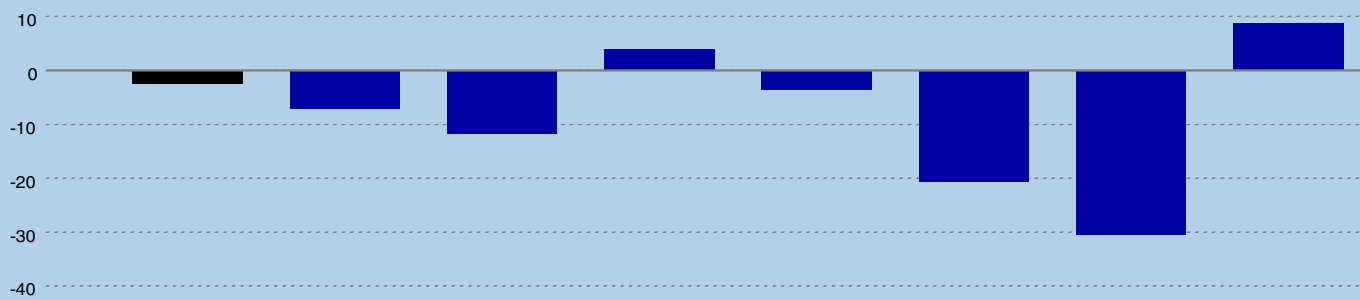
Q. Please state whether you expect the annual rate of growth of all other non-staff costs faced by your company to be higher, the same or lower in twelve months' time compared with the current rate.



By country / area

% net balances

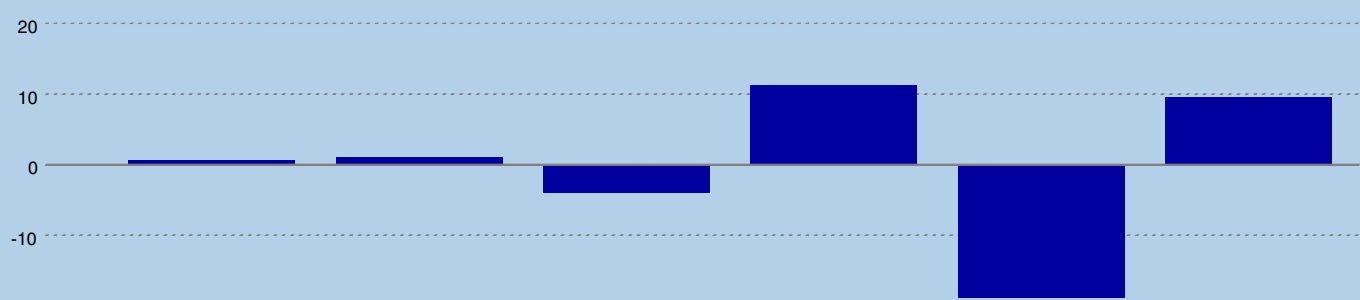
	EU	Euro zone	Germany	France	Italy	Spain	Ireland	UK
Apr '08	+28.8	+28.0	+20.4	+41.9	+25.2	+23.5	+18.9	+30.8
Oct '08	+14.2	+15.9	+19.3	+12.2	+11.3	+24.6	+5.1	+10.2
Apr '09	-2.4	-7.1	-11.7	+3.9	-3.6	-20.7	-30.6	+8.8



By sector

% net balances

	Post & Telecomms	Transport & Storage	Renting & Business Services	Hotels & Restaurants	Financial Intermediation	Other
Apr '08	+13.3	+40.1	+28.4	+49.2	+8.7	+20.2
Oct '08	+1.2	+15.9	+11.4	+26.1	+6.3	+30.5
Apr '09	+0.6	+1.0	-3.9	+11.3	-18.7	+9.5

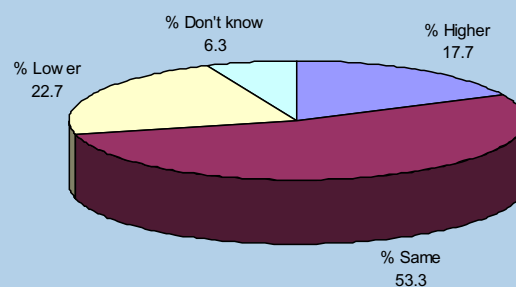


14 Prices charged

- Expectations regarding prices charged dropped to a new series low in April, with the net balance dropping to -5.0.
- Downward price pressures are stronger in the Eurozone than in the UK.
- All countries except France posted record low net balances.
- All sectors except Post & Telecommunications registered the lowest net balances since data were first collected in April 2006. However, that sector still posted the lowest overall figure.

Total EU

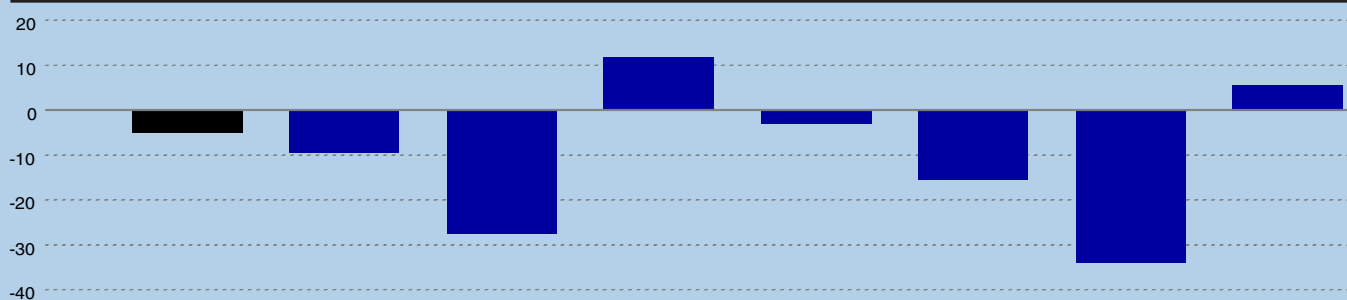
Q. Please state whether you expect the annual rate of growth of average prices charged by your company to be higher, the same or lower in twelve months' time compared with the current rate.



By country / area

% net balances

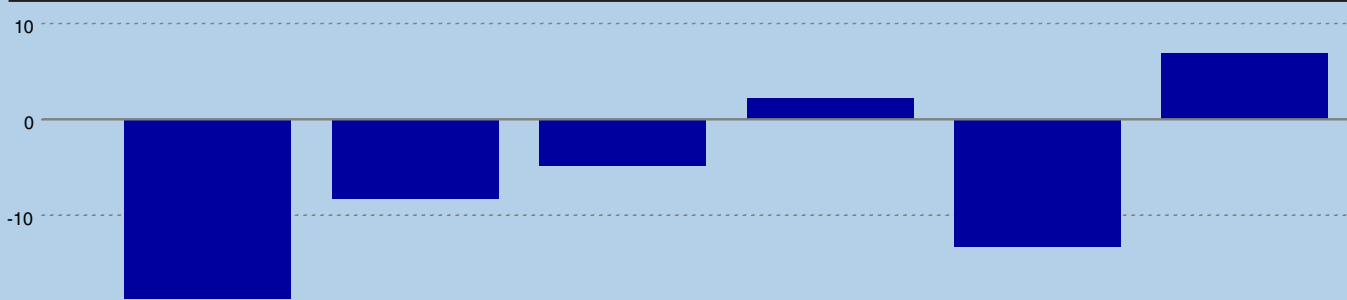
	EU	Euro zone	Germany	France	Italy	Spain	Ireland	UK
Apr '08	+26.4	+26.9	+20.4	+36.6	+29.0	+21.3	+17.6	+24.9
Oct '08	+8.3	+7.7	+10.0	+2.4	+14.8	+4.4	-6.8	+9.6
Apr '09	-5.0	-9.5	-27.4	+11.8	-2.9	-15.5	-34.0	+5.7



By sector

% net balances

	Post & Telecomms	Transport & Storage	Renting & Business Services	Hotels & Restaurants	Financial Intermediation	Other
Apr '08	+11.7	+42.7	+25.4	+44.0	+2.0	+24.3
Oct '08	-8.5	+12.9	+6.7	+20.3	-7.1	+23.4
Apr '09	-18.7	-8.3	-4.8	+2.3	-13.3	+6.9



About the survey

Background

The **Business Outlook Report** for the European service sector is produced by **Markit Economics** on behalf of KPMG and is based on a survey of around 2,500 service providers that are asked to give their thoughts on future business conditions. The Reports are produced on a biannual basis, with data collected and published each spring and autumn.

The countries covered by the survey are the UK, France, Germany, Italy, Ireland and Spain.

Interest in the use of economic surveys for predicting turning points in economic cycles is ever increasing and the KPMG Business Outlook Report for Europe is the first independent report for Europe that uses an identical methodology across all nations covered and it gives a unique perspective not only on future business conditions but also on key issues and concerns that European manufacturers have regarding future business prospects.

Methodology

The methodology of **KPMG Business Outlook Report** is identical in all countries that Markit Economics operates. The use of a widely recognised and well-regarded methodology ensures harmonisation of data, and allows direct comparisons of business expectations across different countries. This provides a significant advantage for economic surveillance in the EU and for monitoring the evolution of the Eurozone manufacturing economy by governments and the wider business community.

Data collection is undertaken via the completion of questionnaires twice a year at six-month intervals. A combination of phone, fax, website and email are used, with respondents allowed to select which mechanism they prefer to use.

The **KPMG 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.

Coverage

Questionnaires are sent to a representative panel of around 2,500 service providers spread across the European 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 Business Outlook Report. The current report is based on responses from around 1,200 service sector firms.

Further Information

Contact Details



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