

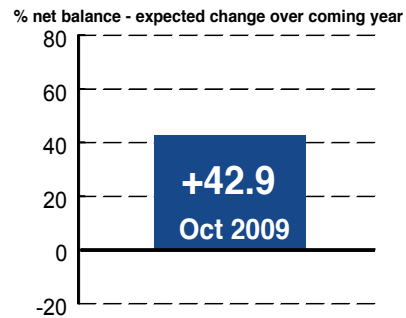
Business Outlook Survey

Global Manufacturing

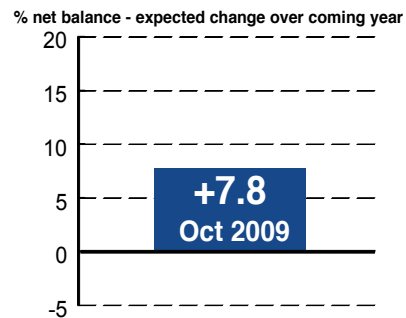
US and BRICs set to lead global recovery. Worldwide output and employment set to rise but so are prices.

- Global business activity is set to rise strongly over the next twelve months as the world economy continues to recover from its post-financial crisis downturn. Strengthened demand across all key regions is expected to support robust increases in corporate revenues.
- Output growth in manufacturing is set to rise by +42.9.
- The US and BRIC area are predicted to be the strongest regional performers. Brazil is set to post a particularly marked expansion, whereas India is expected to underperform its BRIC peers.
- Firms in the EU and Japan hold optimistic outlooks, but expect a more gradual pace of recovery.
- Higher activity levels are set to underpin growth of employment across the globe during the coming year (+7.8).
- Both input and output prices are predicted to increase, albeit at relatively moderate rates. Inflationary expectations are highest in the BRIC region. In contrast, Japanese companies anticipate continued deflation. Across the globe, costs are set to rise faster than charges.

Global Business Activity - Manufacturing



Global Employment - Manufacturing



Commenting on the latest survey, Alan Buckle, Global Head of Advisory at KPMG, said:

“Good news abounds in KPMG’s latest Business Outlook survey which demonstrates that the corner has been turned and that recent signs of recovery are not a flash in the pan. In nearly all sectors and geographies, business leaders are expecting improvements in their earnings and their business environment. A strong majority sees business being better in 12 months’ time than now; something which is consistent with GDP forecasts.

“This represents a quite remarkable turnaround in business confidence; well above what many commentators might have hoped for. Some people may find the extent of the optimism exhibited in these results somewhat surprising. It is worth remembering however that different economies have started this bounce back from very different points on the confidence scale.

“Therefore, Western companies which rather limped through the past few years were already some way behind their emerging market competitors whose spirits held up more robustly during the depths of the downturn – and who now appear even more confident about the upturn.”

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Executive summary

The latest KPMG Global Business Outlook Survey signals robust growth prospects for the world economy as confidence returns to the manufacturing sector.

Economic growth

Private sector firms forecast broad-based expansion of output

October's survey highlights optimism regarding the one-year outlook for business activity across all key regions monitored by the survey. Sentiment is highest in the US and the BRIC area, although EU and Japanese companies also anticipate solid gains in output.

Where historical data are available – for the EU and BRIC regions – these show further improvements in confidence from the lows seen in the aftermath of last year's financial crisis.

A net balance of +42.9 manufacturers anticipate growth of output.

Expectations for higher activity are underpinned by forecasts for strong demand growth, as global economic conditions continue to recover over the next twelve months. Levels of incoming new business are set to rise considerably in manufacturing, as signalled by the net balance of +44.1. Correspondingly, revenues (+37.4) and profits (+32.1) are predicted to increase at solid rates.

In manufacturing, confidence is highest in the Chemicals & Plastics and Timber & Paper sectors (+54.5, +52.3).

US and BRIC economies set to lead the upturn...

Confidence regarding activity is highest amongst companies in the US and BRIC area. A net balance of +54.0 US manufacturers predict higher activity.

In the BRIC region the net balance for activities in the manufacturing sector is highly positive at +54.1. However, there are marked

disparities between the individual BRIC countries. Brazil is expected to post the fastest growth of output (and to be the strongest performer of all the countries included in the global outlook survey), while robust rates of expansion are also forecast for Russia and China. On the other hand, India is set to significantly underperform its BRIC peers.

...with the EU and Japan are set for more gradual recoveries

Firms in the EU and Japan also hold positive expectations regarding prospects for business activity over the coming year, although growth rates are set to be slower than those forecast in the US and the BRIC area.

In the EU, confidence has improved for the second consecutive survey period. The manufacturing net balance of +33.9 is the highest since January 2008.

Confidence is firmer in Japan's manufacturing sector, with a net balance for output of +26.8, although this too is well below the global average.

"Before the recession, Western companies were facing an increasing competitive threat from the emerging economies. Two years later, their competitors already have their eyes firmly set on a growth agenda while Western businesses are only just beginning to recover. The developing markets appear to hold the aces; robust local demand, strong business and government balance sheets and of course cost advantages.

"So while in isolation, these results are comforting to businesses globally, it is clear that the threat to the West's business supremacy has increased as a result of the last two traumatic years."

Alan Buckle, Global Head of Advisory, KPMG

Inflation

Moderate inflation of input and output prices forecast

Global price expectations are relatively muted for the year ahead, although firms are anticipating some inflationary pressure to emanate from higher raw material and labor costs. Manufacturing companies forecast input prices to rise at a sharper pace than output charges, as competitive pressures remain a constraint on pricing power.

The steepest increases in costs for manufacturers are forecast in the BRIC area (with a net balance of 35.4) while firms in the US (+29.1) and EU (+20.6) also anticipate solid rates of inflation. In contrast a deflationary environment is widely expected in Japan (-7.3).

"By now, companies should have realized that this is a very different type of recession to those that went before. Unlike the downturn in 2001/02, this recession is not seen as a temporary break in a continued upward trajectory of continued growth and therefore is not a short storm that needs to be weathered through. Whilst the outlook for a return to growth is now more positive, the fundamentals remain challenging with anticipated continued rising input costs with little confidence that these can wholly be passed on in terms of increased prices.

"In this environment, increasing revenues do not translate instantly into increased profits. This is the new corporate reality which many organizations will have to deal with and this will continue to drive significant changes to their business models."

Aidan Brennan, Global Head of Performance & Technology and a partner in the UK firm, KPMG

Executive summary (continued)

Higher output charges are forecast in the US and BRIC countries, where manufacturers are generally more confident of raising their prices. In the EU, only slight inflation of charges is expected as pricing power remains muted amid strong competition.

Declines in output prices are expected by Japanese firms, where a steep reduction in selling prices is forecast (-25.5) as firms are forced to offer large discounts to remain competitive.

For manufacturing, there are marked variations between sectors in expectations for cost inflation. Timber & Paper firms predict a steep increase in input prices, whereas Transport companies anticipate a slight fall.

“The way in which growth prospects for the emerging markets continue to outstrip most of the developed markets hints at a new role for businesses in those more mature markets. As capital and labor continues to flow predominantly to the East, mature market businesses may need to act more like consultants to their counterparts in the newer markets, bringing their experience to bear in more and more joint venture situations for example.”

Simon Collins, Global Head of Transactions & Restructuring and a partner in the UK firm, KPMG

Labor market

The one-year outlook for global employment is broadly positive, with jobs expected to be added in manufacturing (+7.8). The sharpest growth is forecast in the former, with the BRIC countries and the US leading the expansion.

Similarly, there is a dichotomy in employment expectations within the global manufacturing sector. The BRIC countries and the US are set

to record solid growth of headcounts, but firms in the EU and Japan expect to cut their workforce numbers amid ongoing company restructuring.

For manufacturing, Basic Metals firms hold the most upbeat expectations for employment while, in contrast, Timber & Paper companies are set to trim their staffing levels.

Overall, global employment is expected to strengthen to a lesser extent than the predicted gain in activity. Manufacturers are set to utilise a greater proportion of their existing productive capacity (+30.1).

Investment

Increased spending on capital and R&D planned

Higher expected profits have led private sector firms across the globe to raise their forecasts for investment during the next twelve months. Capital expenditure is set to grow at moderate rates in manufacturing (+10.4) with the strongest expansion expected to occur in the BRIC region. Firms in the US and Japan also forecast higher levels of spending on capital. However, EU companies remain in retrenchment mode, with manufacturers holding negative expectations regarding capex for the third successive survey period.

Investment in research & development is predicted to rise across the global manufacturing sector, with a net balance of +14.8 firms forecasting an increase. Growth is set to be strongest in the BRIC area (led by Brazil and China), although gains are also expected in the US, Japan and EU.

United Kingdom

Manufacturing Sector (page 6)

- October data show that UK manufacturing companies expect business activity to rise over the coming year (+50.4), in line with an increase in new order volumes.
- Capacity utilization is anticipated to grow robustly, with the expected rate of change broadly in line with that forecasted in July. However, employment is projected to rise only modestly in the coming year.
- Input and output prices are both set to rise at solid rates. Costs are expected to grow slightly faster than charges.
- Correspondingly, growth of profits is set to be slower than that of business revenues.
- Capex and R&D are both forecast to rise for the first time in four survey periods.
- Firms continue to plan reductions to their inventories as a proportion of output. However, the latest net balance of -19.4 is the highest since winter 2008.

Comment from KPMG:

“The confident numbers posted by UK manufacturers come as no real surprise to me as currency issues mean that the rebound here will be sharper than that experienced in the euro-zone. I believe this signals a 12-18 month window of opportunity for UK manufacturers to steal a march on their continental competitors.

“As the UK companies look to capitalize by increasing their own capacity utilization, it will be interesting to see whether elements of their supply chains are brought back from overseas locations. This is a crucial time insofar as decisions may soon be made about whether to come back all the way to the UK – or only as far as the euro-zone. The extent to which regional development aid is made available to facilitate this move may go a long way to determining what that final location is.”

**Gautam Dalal, Head of Diversified Industrials,
KPMG in the UK**

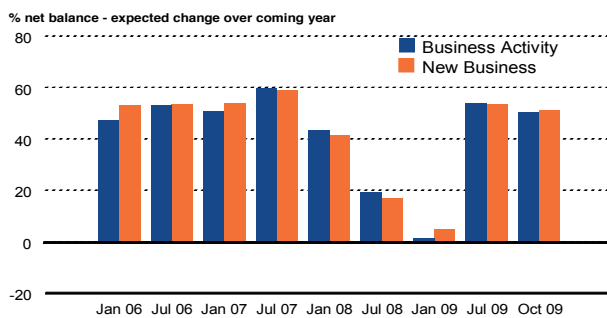
United Kingdom – Manufacturing

UK Manufacturing Summary

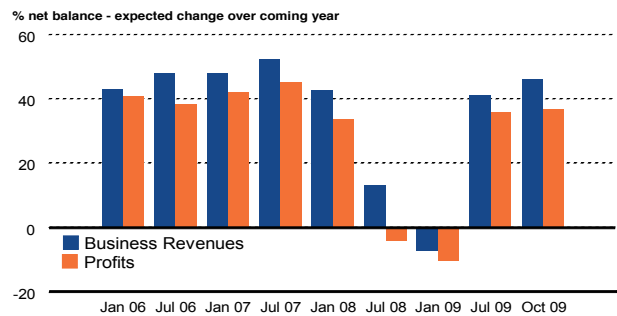
Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)

	Jan-08	Jul-08	Jan-09	Jul-09	Oct-09
Business Activity	+43.4	+19.3	+1.2	+53.8	+50.4
Business Revenues	+42.8	+13.2	-7.4	+41.1	+46.4
New Orders	+41.5	+17.0	+4.9	+53.3	+51.0
Profits	+33.6	-4.2	-10.5	+36.0	+37.0
Employment	+3.5	-17.4	-29.2	+7.6	+7.7
Capacity Utilization	+50.1	+21.5	+4.9	+41.9	+42.1
Capital Expenditure	+16.7	-12.9	-35.1	-0.8	+5.4
R&D Expenditure	+14.7	-2.3	-19.7	-0.3	+10.0
Input Prices	+37.0	+57.2	-13.5	+19.3	+33.6
Output Prices	+28.2	+47.3	-8.6	+18.4	+30.2
Inventory: Output Ratio	-11.1	-20.6	-34.8	-20.7	-19.4

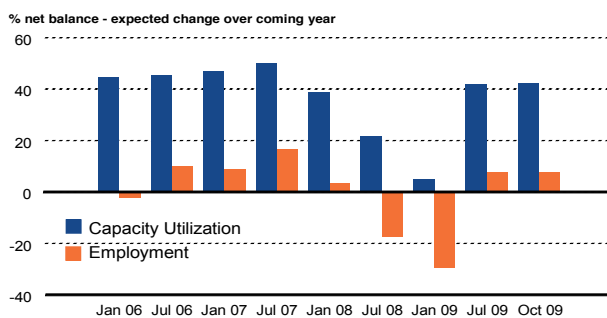
Business Activity / New Orders



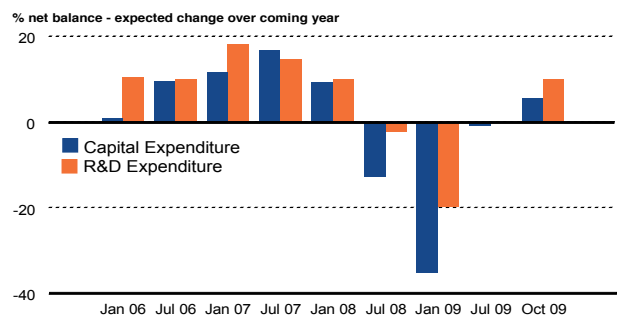
Business Revenues / Profits



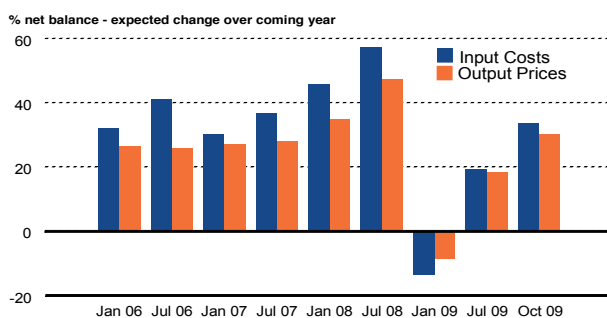
Employment / Capacity Utilization



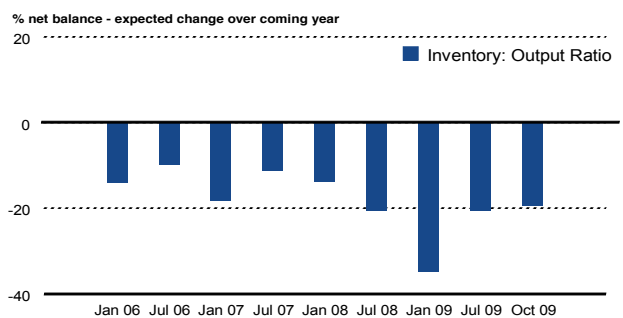
Capital Expenditure / R&D Expenditure



Input / Output Price Inflation



Inventory: Output Ratio



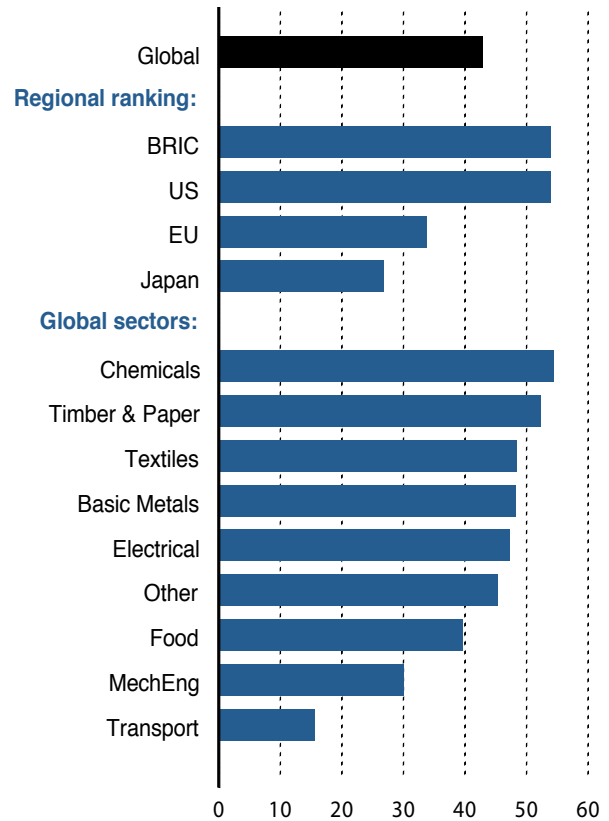
Global Business Activity – Manufacturing

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

- Global manufacturing output is expected to increase strongly during the coming year, as highlighted by a net balance of +42.9.
- Growth is set to be led by the BRIC area and the US, with the respective net balances of +54.1 and +54.0 pointing to marked levels of optimism.
- Within the BRIC region, confidence is highest in Brazil (+84.6) and lowest in India (+30.3).
- EU manufacturers anticipate robust growth of production (+33.9), led by the UK (+50.4) and Italy (+43.5).
- In contrast, Greece is set to post a mild reduction of output (-4.2).
- Japanese manufacturers expect production to rise at a solid pace (+26.8).
- Higher output is forecast across all nine sub-sectors, led by Chemicals & Plastics (+54.5). Transport is expected to post the slowest growth of output (+15.7).

Global Business Activity - October 2009

Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)



Comment from KPMG:

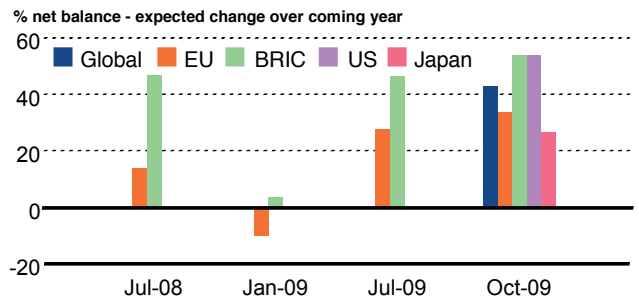
“In the West, the return to health is likely to be slow and cautious, forcing companies to be leaner and sharper. In addition, arguably the key challenge of the pre crisis days – the way in which Western businesses dealt with the rising competitive threat of the East – has not gone away. In fact, it has been exacerbated.

“The recession has been seized by many as an opportunity to deal with such challenges by implementing fundamental, transformational change throughout their organization not just to deal with the recession but to position their business for long term success. Those however that merely seek to weather the storm by short term measures may well fall victim to a tough long term environment.”

Aidan Brennan, Global Head of Performance & Technology and a partner in the UK firm, KPMG

Global Business Activity - By Area/Country*

	Global	EU	BRIC	US	Japan
Jan '09	n/a	-10.2	+3.6	n/a	n/a
Jul '09	n/a	+28.0	+46.5	n/a	n/a
Oct '09	+42.9	+33.9	+54.1	+54.0	+26.8



*Data for Japan and US first collected October 2009

Global Business Activity - By Sector

	Food & Drink	Textiles & Clothing	Electrical & Optical	Chemicals & Plastics	Transport	Timber & Paper	Basic Metals	Mechanical Engineering	Other
Jan '09	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jul '09	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Oct '09	+39.6	+48.5	+47.3	+54.5	+15.7	+52.3	+48.3	+30.0	+45.3

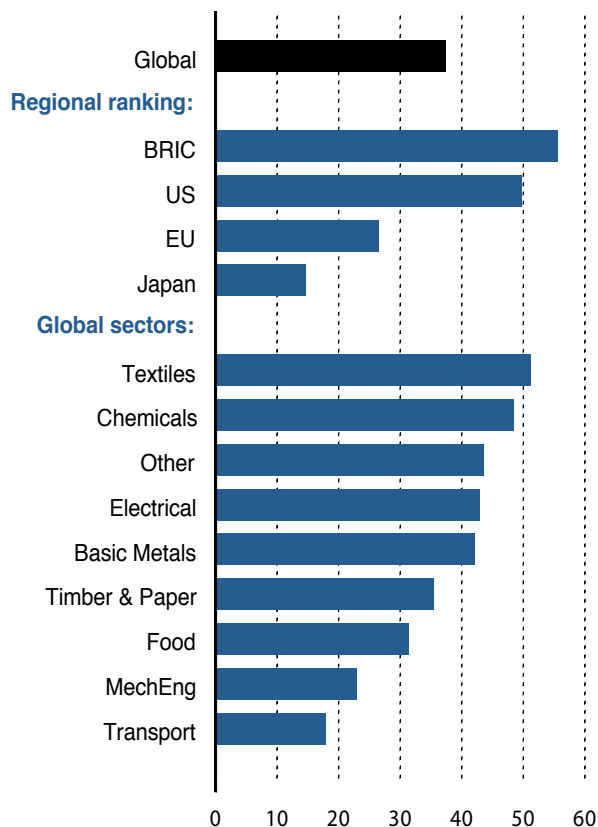
Global Business Revenues – Manufacturing

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

- A net balance of +37.4 signals widespread expectations of higher business revenues across the global manufacturing sector over the next twelve months, in line with strong forecasts for output growth.
- Revenues are set to increase at the strongest pace in the BRIC area (+55.7), led by Brazil (+82.8).
- US manufacturers are highly confident that revenues will rise (+49.8), but optimism is much less pronounced in Japan (+14.7).
- The net balance for the EU is the highest for a year at +26.6. The UK (+46.4), Italy (+30.6) and Germany (+30.4) are expected to register the strongest growth of revenues. However, Greece (-20.7) and the Czech Republic (-7.9) are set to see declines in revenues.
- Textiles & Clothing producers are the most confident (+51.2), followed by Chemicals & Plastics firms (+48.5).
- Mirroring expectations for output, Transport firms anticipate the slowest increase in revenues (+18.0).

Global Business Revenues - October 2009

Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)



Comment from panellists:

“Opportunities will arise when confidence is restored to the market place”

Timber & Paper

“Business confidence and spending appears to be on the rise”

Basic Metals

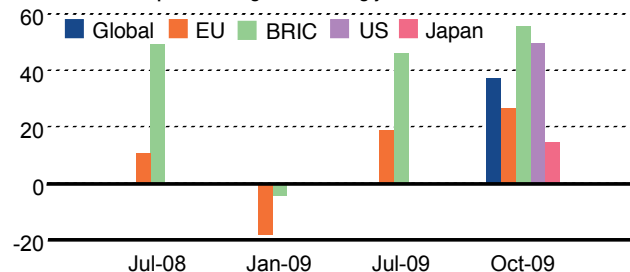
“Retail industry recovery is likely to provide a boost”

Timber & Paper

Global Business Revenues - By Area/Country*

	Global	EU	BRIC	US	Japan
Jan '09	n/a	-18.2	-4.6	n/a	n/a
Jul '09	n/a	+18.8	+46.3	n/a	n/a
Oct '09	+37.4	+26.6	+55.7	+49.8	+14.7

% net balance - expected change over coming year



*Data for Japan and US first collected October 2009

Global Business Revenues - By Sector

	Food & Drink	Textiles & Clothing	Electrical & Optical	Chemicals & Plastics	Transport	Timber & Paper	Basic Metals	Mechanical Engineering	Other
Jan '09	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jul '09	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Oct '09	+31.5	+51.2	+42.9	+48.5	+18.0	+35.4	+42.1	+23.0	+43.7

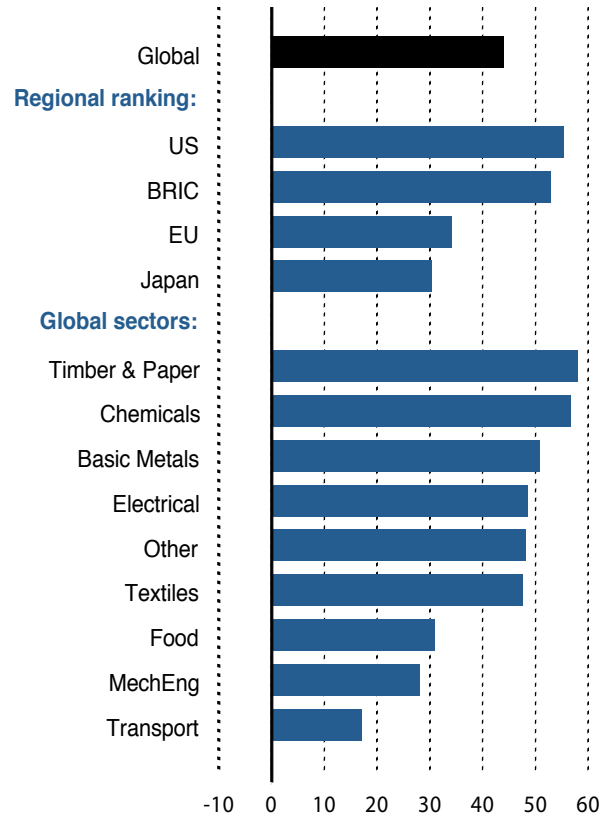
Global New Orders – Manufacturing

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

- Expectations for new order growth in the global manufacturing sector are buoyant, with a net balance of +44.1 firms predicting a rise.
- Confidence regarding the sales outlook is highest in the US (+55.4).
- Manufacturers in the BRIC countries anticipate marked growth of new orders (+53.0), with forecasts at the highest since January 2008.
- Similarly, optimism in the EU is the strongest since the start of last year (+34.2). UK firms hold the most upbeat outlook (+51.0).
- Japanese manufacturers also expect a robust increase in volumes of incoming new work (+30.4).
- By sector, Timber & Paper is set to post the strongest expansion of new orders (+58.0), followed by Chemicals & Plastics (+56.6).
- Transport companies are set to post the weakest rise in new business (+17.1).

Global New Orders - October 2009

Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)



Comment from panellists:

“We have been awarded a large contract on top of our normal business”

Mechanical Engineering

“We expect to capture more business in markets where we are currently inactive”

Other Manufacturing

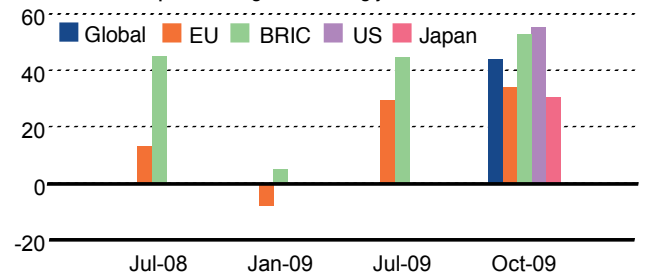
“Continued expansion with new customers in niche markets”

Transport

Global New Orders - By Area/Country*

	Global	EU	BRIC	US	Japan
Jan '09	n/a	-8.1	+4.9	n/a	n/a
Jul '09	n/a	+29.6	+44.8	n/a	n/a
Oct '09	+44.1	+34.2	+53.0	+55.4	+30.4

% net balance - expected change over coming year



*Data for Japan and US first collected October 2009

Global New Orders - By Sector

	Food & Drink	Textiles & Clothing	Electrical & Optical	Chemicals & Plastics	Transport	Timber & Paper	Basic Metals	Mechanical Engineering	Other
Jan '09	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jul '09	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Oct '09	+31.0	+47.7	+48.6	+56.6	+17.1	+58.0	+50.9	+28.1	+48.2

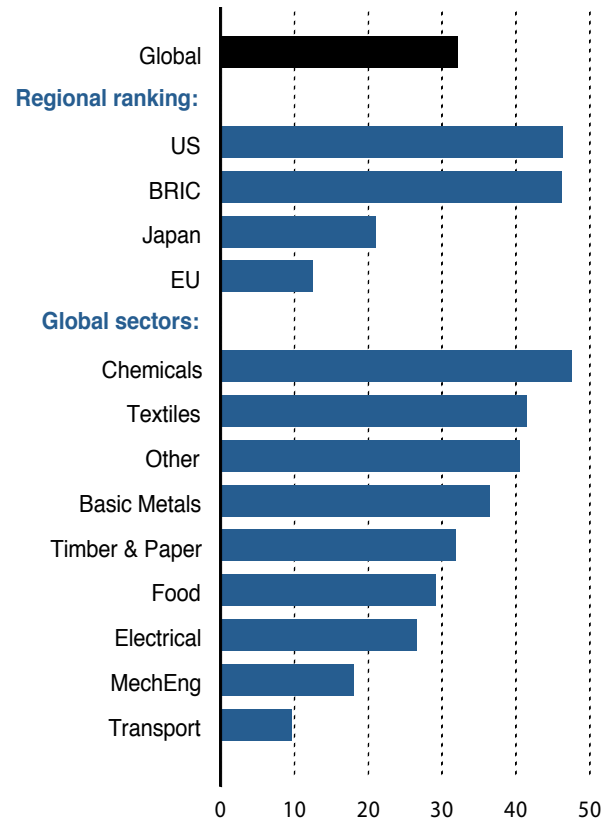
Global Profits – Manufacturing

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

- Worldwide manufacturing profitability is set to rise strongly in the next twelve months. Higher profits are expected by a net balance of +32.1 firms.
- Growth is set to be led by the US and the BRIC area, with respective net balances of +46.4 and +46.2 (the latter is a series high).
- Brazil (+77.0) and China (+44.3) forecast the strongest profits growth among the BRIC countries.
- Expectations for profits are positive in Japan (+21.0).
- Optimism in the EU remains relatively subdued (+12.6). Lower profits are forecast in Greece (-27.8) and the Czech Republic (-19.6). The UK is set to record the strongest rise (+37.0).
- All nine product sectors are expected to post profits growth.
- The strongest increases are forecast by manufacturers of Chemicals & Plastics (+47.6) and Textiles & Clothing (+41.5).

Global Profits - October 2009

Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)



Comment from KPMG:

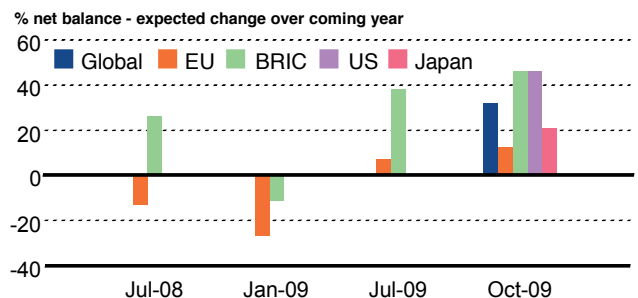
“The mood in the M&A scene is certainly brightening. Bank lending may not have returned but there is near irrational exuberance in the bond markets and companies appear more confident. Shareholders are also stirring into life; bored with low profit growth and having seen all the cost optimization measures implemented, they too are now agitating for more aggressive expansion.

“Sentiment is yet to become reality though with deal pipelines yet to be restocked as vendors remain reluctant to sell – for fear of appearing to have to.”

Simon Collins, Global Head of Transactions & Restructuring and a partner in the UK firm, KPMG

Global Profits - By Area/Country*

	Global	EU	BRIC	US	Japan
Jan '09	n/a	-26.8	-11.3	n/a	n/a
Jul '09	n/a	+7.1	+38.2	n/a	n/a
Oct '09	+32.1	+12.6	+46.2	+46.4	+21.0



*Data for Japan and US first collected October 2009

Global Profits - By Sector

	Food & Drink	Textiles & Clothing	Electrical & Optical	Chemicals & Plastics	Transport	Timber & Paper	Basic Metals	Mechanical Engineering	Other
Jan '09	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jul '09	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Oct '09	+29.2	+41.5	+26.6	+47.6	+9.7	+31.9	+36.5	+18.1	+40.6

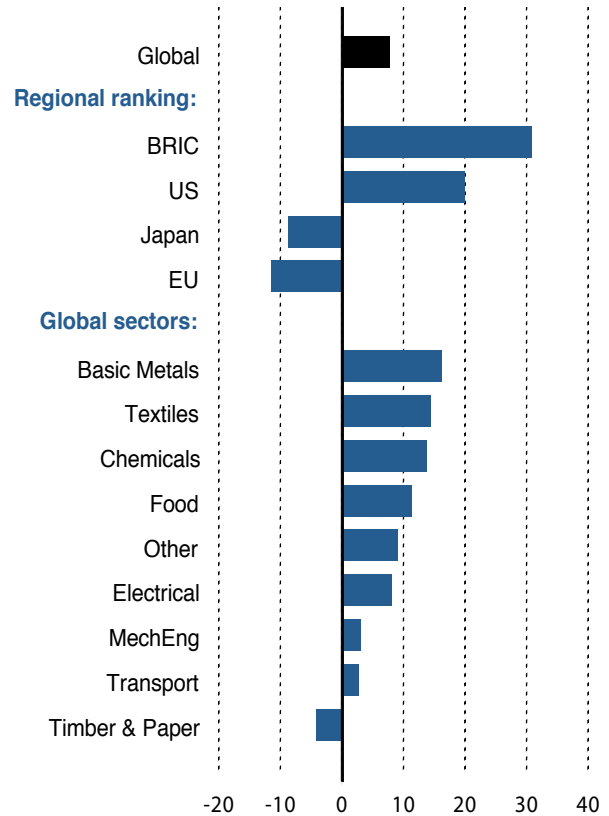
Global Employment – Manufacturing

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.

- Employment in the global manufacturing sector is forecast to rise during the next twelve months in line with higher workloads.
- However, a net balance of just +7.8 indicates that growth is expected to be muted in relation to that of activity.
- Workforce expansion is set to be driven by the BRIC area and the US, with the respective net balances of +30.9 and +20.0 signaling robust degrees of confidence.
- In contrast, staffing levels are set to decline in the EU manufacturing sector (-11.5), with pessimism most marked in the Netherlands (-22.5) and the Czech Republic (-19.3).
- Japanese manufacturers also anticipate falling employment over the coming year (-8.7).
- The outlook for employment is most positive in the Basic Metals sector (+16.3).
- Timber & Paper is the only category where workforce numbers are predicted to decline (-4.2).

Global Employment - October 2009

Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)



Comment from panellists:

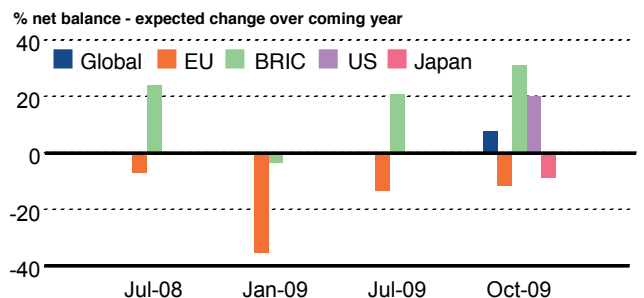
“Hiring new staff to deal with increased workloads”
Timber & Paper

“Higher demand will lead to recruiting of additional workers”
Textiles & Clothing

“We are adjusting our capacity through the reduction of staff numbers”
Other Manufacturing

Global Employment - By Area/Country*

	Global	EU	BRIC	US	Japan
Jan '09	n/a	-35.4	-3.4	n/a	n/a
Jul '09	n/a	-13.6	+20.8	n/a	n/a
Oct '09	+7.8	-11.5	+30.9	+20.0	-8.7



*Data for Japan and US first collected October 2009

Global Employment - By Sector

	Food & Drink	Textiles & Clothing	Electrical & Optical	Chemicals & Plastics	Transport	Timber & Paper	Basic Metals	Mechanical Engineering	Other
Jan '09	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jul '09	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Oct '09	+11.3	+14.5	+8.1	+13.9	+2.7	-4.2	+16.3	+3.0	+9.1

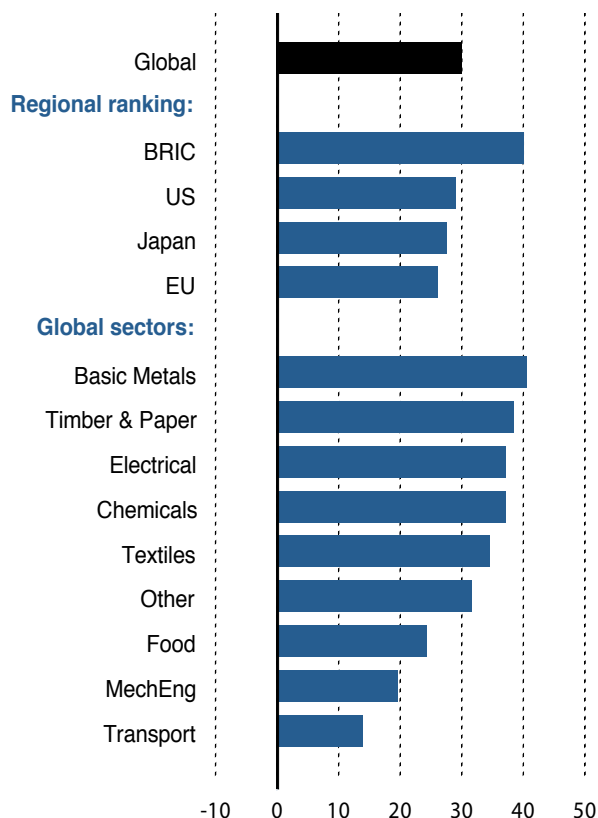
Global Capacity Utilization – Manufacturing

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

- Capacity utilization is set to rise at a solid pace across the global manufacturing sector over the coming year, as signalled by a net balance of +30.1.
- Expectations are highest in the BRIC area (+40.1), with growth forecasts the strongest since January 2008.
- Manufacturers in the US and Japan predict robust rises in capacity usage (+29.0 and +27.5 respectively).
- EU firms also predict higher rates of capacity utilization. The sharpest rises are predicted in the UK (+42.1) and Poland (+38.0).
- Increases in capacity usage are forecast across all nine industry sectors.
- Basic Metals (+40.6) and Timber & Paper (+38.4) are set to register the strongest growth of capacity utilization.
- Transport companies expect the weakest rise (+14.0).

Global Capacity Utilization - October 2009

Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)



Comment from panellists:

"We are currently operating well below production capacity"

Basic Metals

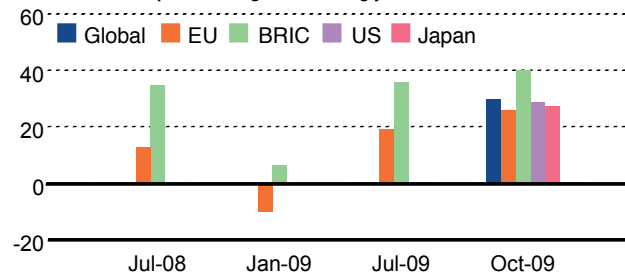
"Set to use a greater amount of our productive capacity due to stronger order intake"

Electrical & Optical

Global Capacity Utilization - By Area/Country*

	Global	EU	BRIC	US	Japan
Jan '09	n/a	-10.1	+6.4	n/a	n/a
Jul '09	n/a	+19.2	+36.2	n/a	n/a
Oct '09	+30.1	+26.1	+40.1	+29.0	+27.5

% net balance - expected change over coming year



*Data for Japan and US first collected October 2009

Global Capacity Utilization - By Sector

	Food & Drink	Textiles & Clothing	Electrical & Optical	Chemicals & Plastics	Transport	Timber & Paper	Basic Metals	Mechanical Engineering	Other
Jan '09	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jul '09	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Oct '09	+24.4	+34.5	+37.2	+37.1	+14.0	+38.4	+40.6	+19.6	+31.7

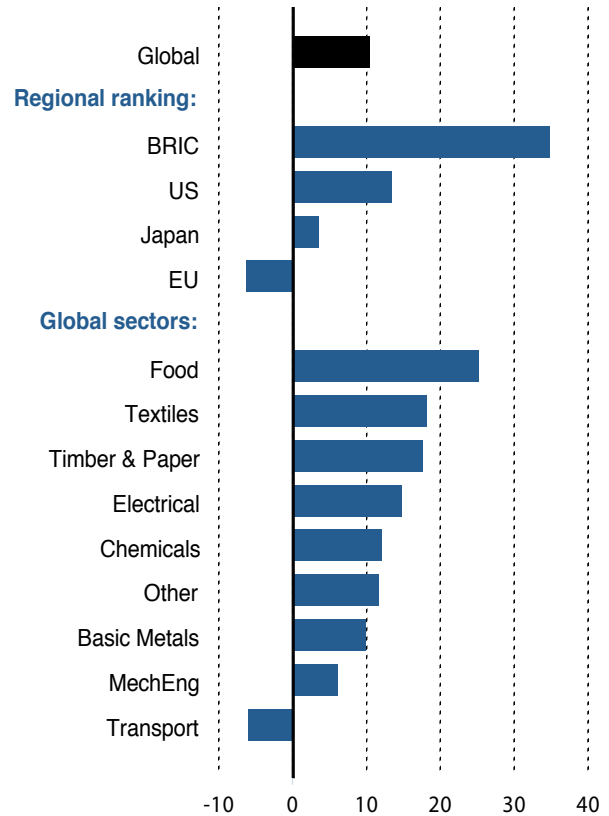
Global Capital Expenditure – Manufacturing

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

- The outlook for capital investment in the global manufacturing sector is positive. A net balance of +10.4 firms plan greater investment during the coming year.
- Capital spending is set to rise fastest in the BRIC countries, with October's net balance of +34.8 the highest since summer 2008. Brazil (+65.7) and China (+34.3) are expected to see the biggest increases.
- Capex forecasts are moderately positive in the US (+13.4) and Japan (+3.6).
- However, manufacturers in the EU predict retrenchment of capital investment (-6.2).
- The Czech Republic (-21.0), the Netherlands (-20.3), Ireland (-18.2), Austria (-16.3) and Germany (-15.2) are all set to see sharp declines in capex.
- Food & Drink producers anticipate the strongest increase in spending on capital (+25.2).
- Transport is the only sector where a reduction is anticipated (-6.0).

Global Capital Expenditure - October 2009

Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)



Comment from panellists:

“New machinery is expected to lead to higher turnover”

Chemicals & Plastics

“We have invested in new offices, warehouses and machinery”

Mechanical Engineering

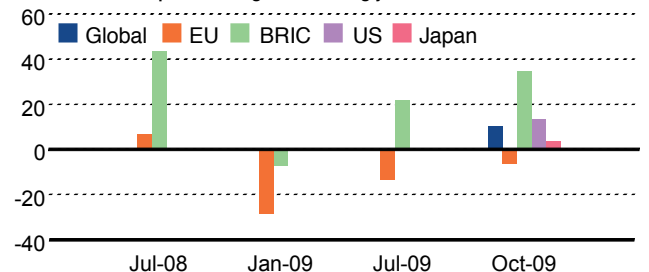
“Wear and tear of equipment leads to increased investment”

Timber & Paper

Global Capital Expenditure - By Area/Country*

	Global	EU	BRIC	US	Japan
Jan '09	n/a	-28.5	-7.4	n/a	n/a
Jul '09	n/a	-13.6	+22.0	n/a	n/a
Oct '09	+10.4	-6.2	+34.8	+13.4	+3.6

% net balance - expected change over coming year



*Data for Japan and US first collected October 2009

Global Capital Expenditure - By Sector

	Food & Drink	Textiles & Clothing	Electrical & Optical	Chemicals & Plastics	Transport	Timber & Paper	Basic Metals	Mechanical Engineering	Other
Jan '09	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jul '09	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Oct '09	+25.2	+18.2	+14.9	+12.1	-6.0	+17.7	+10.0	+6.1	+11.6

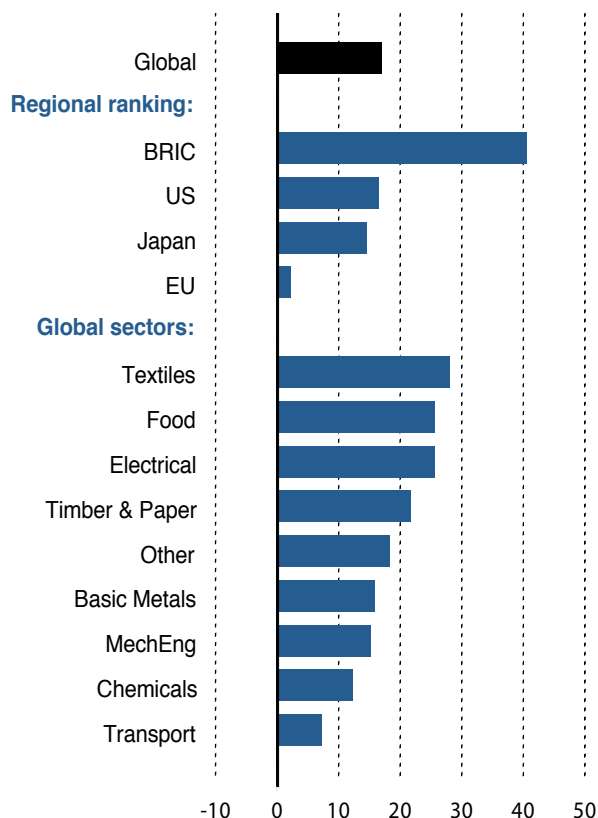
Global R&D Expenditure – Manufacturing

Q. Please state whether you expect expenditure on research and development at your company to be higher, the same or lower in twelve months' time compared with the current spend.

- Manufacturers globally expect to raise their levels of expenditure on research & development during the next twelve months, as signalled by a net balance of +17.1.
- By far the strongest growth is predicted in the BRIC area (+40.5), led by Brazil (+55.9) and China (+44.3). Indian firms forecast a comparatively modest rise (+9.4).
- US and Japanese firms hold positive outlooks with regard to R&D spending (+16.4 and +14.5 respectively).
- Forecasts for research & development in the EU manufacturing sector have returned to positive territory for the first time since July 2008. However, a net balance of +2.3 indicates that growth is set to be only slight.
- R&D expenditure is expected to increase the most in Textiles & Clothing (+28.1).
- Transport firms are the least optimistic (+7.3).

Global R&D Expenditure - October 2009

Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)



Comment from panellists:

"We will release new products in the next twelve months to meet the market's needs"

Chemicals & Plastics

"Innovative products will increase our market share"

Basic Metals

"We are developing a newer product assortment than our competitors"

Chemicals & Plastics

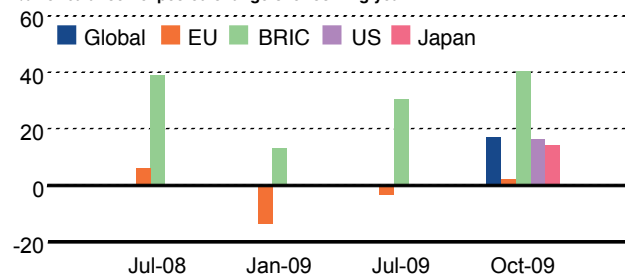
"Development of electronic books is an opportunity for our business"

Timber & Paper

Global R&D Expenditure - By Area/Country*

	Global	EU	BRIC	US	Japan
Jan '09	n/a	-13.8	+13.1	n/a	n/a
Jul '09	n/a	-3.5	+30.5	n/a	n/a
Oct '09	+17.1	+2.3	+40.5	+16.4	+14.5

% net balance - expected change over coming year



*Data for Japan and US first collected October 2009

Global R&D Expenditure - By Sector

	Food & Drink	Textiles & Clothing	Electrical & Optical	Chemicals & Plastics	Transport	Timber & Paper	Basic Metals	Mechanical Engineering	Other
Jan '09	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jul '09	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Oct '09	+25.7	+28.1	+25.6	+12.3	+7.3	+21.7	+15.8	+15.3	+18.3

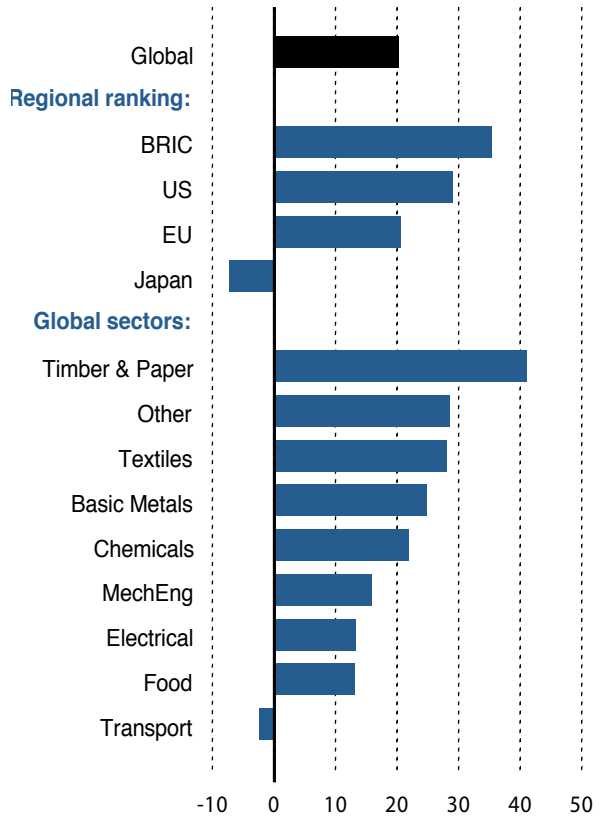
Global Input Prices – Manufacturing

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

- Input prices in the global manufacturing sector are expected to be higher in a year's time than at present. This is signalled by a net balance of +20.3.
- Cost inflation is set to be steepest in the BRIC area (+35.4), although expectations are down slightly since July. Russian firms predict the greatest increase (+63.5).
- US manufacturers forecast a robust increase in their purchasing costs (+29.1).
- The net balance of +20.6 for the EU is the highest since July 2008. Italy (+38.8) and the UK (+33.6) are expected to see the strongest rises in input prices. In contrast, a decline is forecast in Ireland (-4.5).
- Japanese firms anticipate deflation of costs during the coming year (-7.3).
- Eight of the nine industry sectors are set to record higher input prices, led by Timber & Paper (+41.1).
- Transport companies anticipate a slight reduction in costs (-2.4).

Global Input Prices - October 2009

Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)



Comment from panellists:

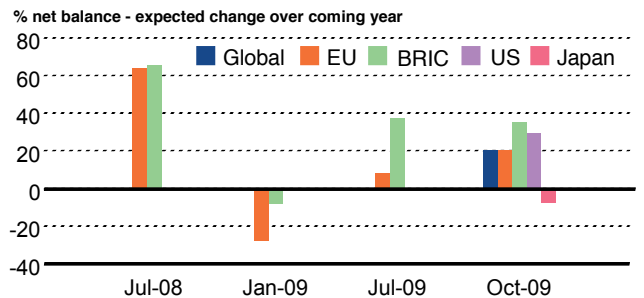
“Many raw materials are rising in price”
Transport

“Increasing input prices are a threat to our profit margins”
Chemicals & Plastics

“Costs are increasing (salaries, electricity, telephone, tax and lower productivity due to staff absences)”
Basic Metals

Global Input Prices - By Area/Country*

	Global	EU	BRIC	US	Japan
Jan '09	n/a	-27.5	-8.2	n/a	n/a
Jul '09	n/a	+8.1	+37.3	n/a	n/a
Oct '09	+20.3	+20.6	+35.4	+29.1	-7.3



*Data for Japan and US first collected October 2009

Global Input Prices - By Sector

	Food & Drink	Textiles & Clothing	Electrical & Optical	Chemicals & Plastics	Transport	Timber & Paper	Basic Metals	Mechanical Engineering	Other
Jan '09	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jul '09	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Oct '09	+13.1	+28.1	+13.4	+22.0	-2.4	+41.1	+24.8	+15.9	+28.6

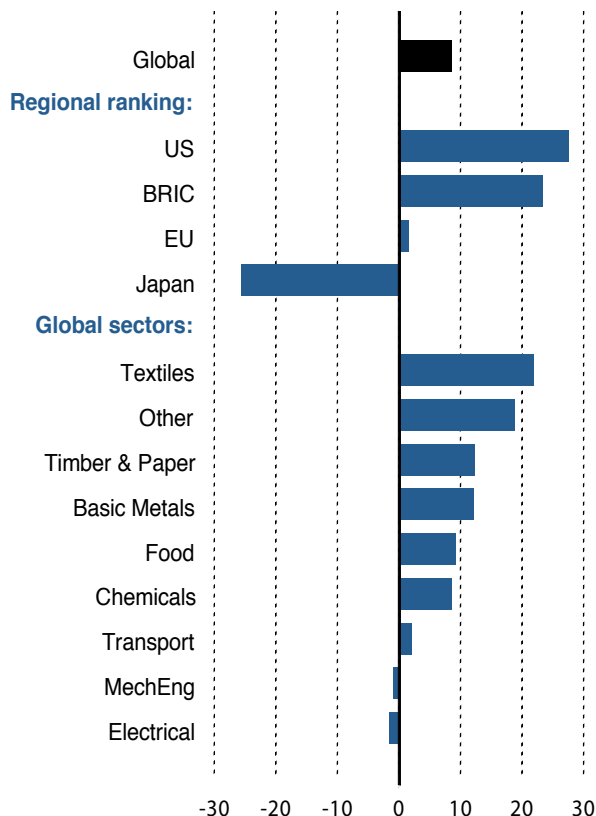
Global Output Prices – Manufacturing

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

- A net balance for output prices of +8.6 indicates that global manufacturers expect to raise their charges during the next twelve months, albeit to a lesser degree than the anticipated rise in input costs.
- US firms are the most optimistic of increasing their selling prices (+27.6).
- BRIC manufacturers continue to predict higher output prices, but forecasts have been revised down slightly since July. Brazil (+58.9) and Russia (+55.1) are set to see the strongest increases in factory gate prices.
- Output price expectations in the EU have turned positive for the first time in the past three outlook survey periods. However, a net balance of +1.6 signals that only a modest increase is forecast.
- A marked decline in selling prices is expected in Japan (-25.5).
- Producers of Textiles & Clothing predict the sharpest rise in charges (+21.9). In contrast, output prices are set to fall slightly in Electrical & Optical (-1.6) and Mechanical Engineering (-0.8).

Global Output Prices - October 2009

Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)



Comment from panellists:

“Better export demand should boost our pricing power”

Food & Drink

“Competition from low cost economies remains strong”

Other Manufacturing

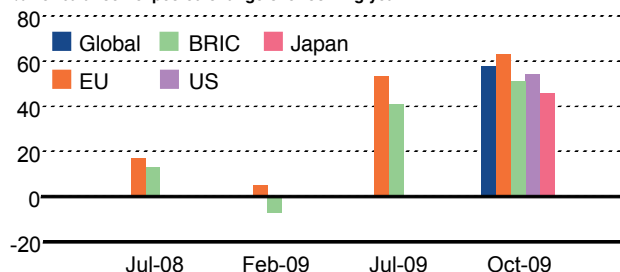
“If raw material prices increase it will be a threat, as we probably won't be able to pass it on to our customers at the same rate”

Chemicals & Plastics

Global Output Prices - By Area/Country*

	Global	EU	BRIC	US	Japan
Jan '09	n/a	-21.0	-8.5	n/a	n/a
Jul '09	n/a	-5.2	+25.2	n/a	n/a
Oct '09	+8.6	+1.6	+23.5	+27.6	-25.5

% net balance - expected change over coming year



*Data for Japan and US first collected October 2009

Global Output Prices - By Sector

	Food & Drink	Textiles & Clothing	Electrical & Optical	Chemicals & Plastics	Transport	Timber & Paper	Basic Metals	Mechanical Engineering	Other
Jan '09	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jul '09	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Oct '09	+9.2	+21.9	-1.6	+8.7	+2.1	+12.3	+12.2	-0.8	+18.9

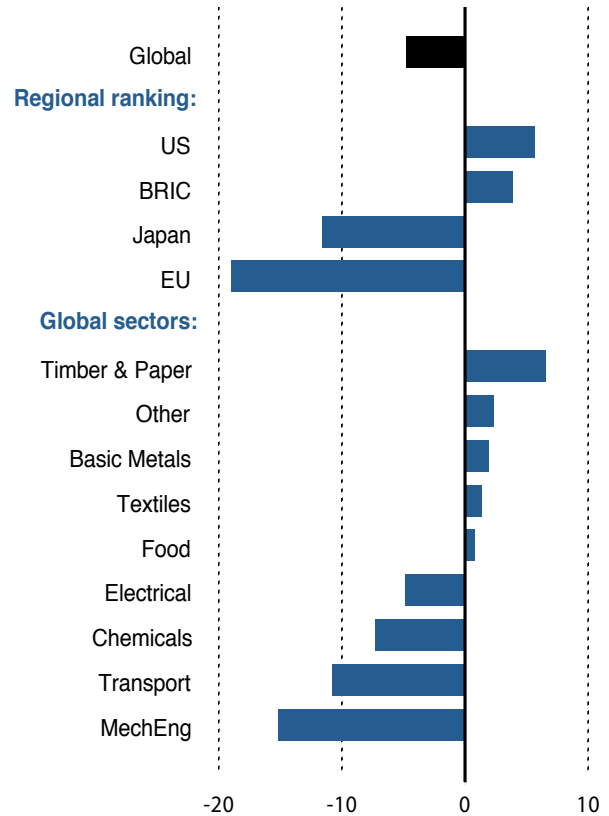
Global Inventory: Output Ratio – Manufacturing

Q. Please state whether you expect the ratio of stocks of finished goods to output at your company to be higher, the same or lower in twelve months' time compared with the current ratio.

- A net balance of -4.8 signals that inventories of finished goods are set to decline as a proportion of output across the global manufacturing sector.
- EU firms widely expect to pare their inventories (-18.9). Lower stocks:output ratios are forecast in each of the eleven EU countries surveyed, with the sharpest declines expected in the Netherlands (-28.0), Ireland (-25.3) and Spain (-24.1).
- Stock shedding is also expected in the Japanese manufacturing sector (-11.6).
- US firms are planning to increase their stocks:output ratios modestly (+5.7).
- Inventory building is also expected in the BRIC area (+3.8). However, this is set to be largely confined to Brazil (+52.7) as the remaining three BRIC countries record slight declines.
- Lower stocks:output ratios are anticipated in four industry sectors, while Mechanical Engineering firms forecast the sharpest drop (-15.2).

Global Inventory: Output Ratio - October 2009

Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)



Comment from panellists:

“Cost cutting measures mean we will reduce our stock levels”

Transport

“Shift towards leaner inventories”

Mechanical Engineering

“New goods coming in to our warehouses”

Other Manufacturing

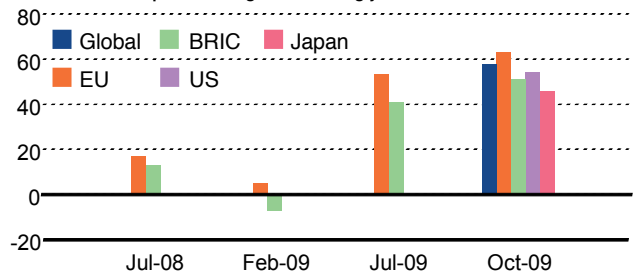
“We face a lack of credit to stock up”

Chemicals & Plastics

Global Inventory: Output Ratio - By Area/Country*

	Global	EU	BRIC	US	Japan
Jan '09	n/a	-27.2	-12.1	n/a	n/a
Jul '09	n/a	-23.4	+3.4	n/a	n/a
Oct '09	-4.8	-18.9	+3.8	+5.7	-11.6

% net balance - expected change over coming year



*Data for Japan and US first collected October 2009

Global Inventory: Output Ratio - By Sector

	Food & Drink	Textiles & Clothing	Electrical & Optical	Chemicals & Plastics	Transport	Timber & Paper	Basic Metals	Mechanical Engineering	Other
Jan '09	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jul '09	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Oct '09	+0.8	+1.4	-4.8	-7.3	-10.7	+6.5	+1.9	-15.2	+2.3

About the survey

Background

The **Business Outlook Survey** for Global Manufacturing and Services is produced by Markit Economics on behalf of KPMG 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 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 KPMG's 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.

Methodology

The methodology of the **KPMG Business Outlook Survey** is identical in all countries that Markit Economics operates. This methodology seeks to ensure harmonisation 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 KPMG Global 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 signaling 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 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 Business Outlook Survey. The current report is based on responses from around 6,200 firms.

Further Information

Contact Details



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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 26 countries and key regions including the Eurozone and BRIC. The PMIs have become 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.

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