KPMG

Global Business Outlook Survey

Worldwide Manufacturing & Services

Confidence in global growth prospects remains largely intact in summer 2010. Optimism still strong in US but expectations cool in China.

- Companies across the world continue to expect growth of activity during the next twelve months, with overall confidence balances little-changed since February.
- Manufacturers continue to hold a slightly more upbeat outlook than service providers.
- The US is set to lead the expansion in global activity.
- BRIC firms remain upbeat, but sentiment has weakened since the previous survey amid expectations of slower growth in China.
- Mixed trends in the EU, as service sector optimism falls but manufacturers signal increased confidence.
- Japanese companies continue to expect subdued growth despite improvement in sentiment since February.
- Expectations for global price pressures rise, with input costs and output charges set to increase at sharper rates.
- Global employment prospects have brightened, with the US and BRIC area expected to post the strongest rates of job creation.
- Firms plan higher levels of investment in both capital and R&D during the coming year.

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

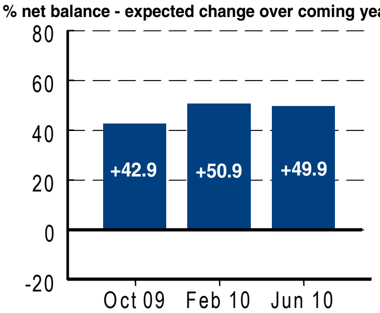
"In overall terms, business confidence hasn't significantly changed from four months ago. However, start to dig deeper and some clear trends appear. The emerging and developing market success story continues. Businesses in all of the BRIC economies remain confident, almost always out-performing the global average. It seems that governments are creating an environment which inspires confidence; managing growth while keeping a careful eye on inflation.

"In the West, there are some signs of confidence slowly taking root – in the US, Germany, France and Ireland for example. It is particularly encouraging that businesses now appear ready to invest. There is an increased expectation of higher employment and capital investment in many countries, suggesting that many businesses are ready to put their cash reserves to good use, taking the baton from governments who are keen to unwind stimulus packages."

(Continued on page 3)

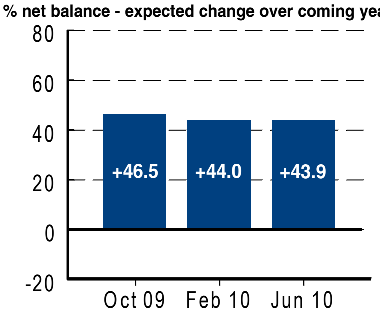
Global Business Activity - Manufacturing

% net balance - expected change over coming year



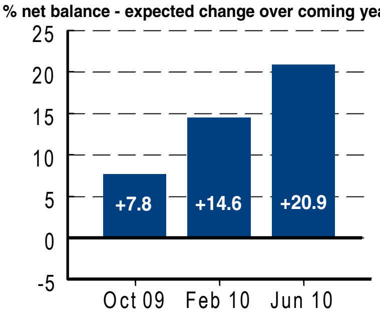
Global Business Activity - Services

% net balance - expected change over coming year



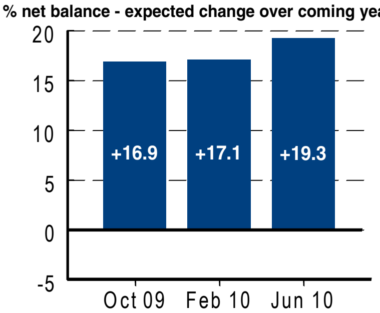
Global Employment - Manufacturing

% net balance - expected change over coming year



Global Employment - Services

% net balance - expected change over coming year



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Executive summary

The latest KPMG Global Business Outlook Survey shows that optimism at companies around the world has held steady since the last survey in February. Both manufacturers and service providers remain confident of rising activity during the next twelve months, supporting growth of revenues and profits. Positive sentiment regarding employment has increased, but inflation expectations have also risen modestly.

Economic growth

Growth expectations remain intact

Companies across the globe continue to hold a positive outlook for business activity during the next twelve months. In the manufacturing sector, a net balance of +49.9 firms anticipate a rise in activity, compared with +50.9 in the last survey conducted in February. The equivalent figure for the service sector is +43.9, little-changed from the previous reading of +44.0.

Of the major economic regions, confidence remains highest in the US, where sentiment has improved slightly since February. BRIC companies continue to signal an upbeat outlook, but their optimism has slipped back since February. EU firms again indicate solid growth prospects, while Japanese panellists' confidence has strengthened compared with the previous survey but remains below the global average.

Anecdotal evidence suggests that optimism regarding future activity is linked to signs of continued recovery in the worldwide economy. Additionally, business opportunities are set to arise from product innovation, the development of new markets and, in some cases, the weakening of competitors during the global downturn.

All industry sectors are set to record higher activity during the coming year. In manufacturing, the strongest rates of growth are anticipated in Electrical & Optical, Mechanical Engineering and 'Other Manufacturing', while the slowest rise is forecast in the Transport category. In services, confidence is highest in the Renting & Business Activities and Financial Intermediation sectors, while optimism is lowest amongst Hotels & Restaurants.

"This all adds up to a growing feeling of a quality upturn; the sort of upturn which was hinted at in the previous Outlook survey but which needed further evidence of sustained confidence, increased investment and improved employment prospects before it felt convincing.

"While not providing us with any dramatic swings in the headline confidence numbers, the latest survey nevertheless provides some comfort that recent reports of weakening activity should prove temporary. Almost inevitably though, some doubts remain. While confidence in the West is strong in manufacturing - helped by global demand and, in some cases, falling currency - confidence in the service sectors is weakening and this is a significant drag on countries such as Spain and the UK which have a small manufacturing base."

Alan Buckle, Global Head of Advisory, KPMG

US firms signal marked optimism

As was the case in February, companies in the US report a substantial degree of confidence regarding future activity. For manufacturing, June's net balance of +69.3 is the second-highest of all surveyed countries, while the figure for services is +61.2, topping the global ranking. US companies generally attribute their optimism to expectations of continued economic recovery during the next twelve months.

BRIC growth expectations ease amid China slowdown

Although still forecasting a brisk pace of expansion, companies in the BRIC region have become less optimistic than in recent outlook surveys. June's net balance for manufacturing is +45.7, the lowest since January 2009, while the services reading of +46.8 is the weakest of the past three outlook periods. In both cases, the drop is in large part driven by an easing of optimism in China, where policy tightening to cool the economy has led to a dampening of near-term growth prospects. Chinese firms are now the least upbeat in the BRIC area.

Brazilian panellists continue to signal buoyant expectations for growth. June's net balance of +77.1 for manufacturing is the highest of all countries covered by the survey, while the services figure of +50.2 is the third-highest in the world.

Confidence has grown in India, where positive sentiment is higher than at any time since mid-2008. In Russia, manufacturing confidence has eased slightly but remains strong, while optimism in the service sector is the second-highest across the globe.

"Optimism remains the order of the day across the high growth BRIC markets but the stalling of the growth in that optimism in Brazil, Russia and China suggests that there is the first hint of nervousness creeping in. This can be traced back to inflationary concerns caused by rising energy costs and wages – although this is less noticeable in Brazil and Russia who at least have control over their own energy costs.

(Continued on next page)

Executive summary (continued)

"The Chinese numbers (dropping 10-20 points on manufacturing indicators and slightly less in services) also suggest a growing level of concern over when exports to the US and an evidently struggling Europe will pick up. These numbers also hint at worries over how to stimulate domestic demand now that government spending – which had been behind much of that demand previously – is on the retreat.

"India's numbers are marching firmly in the opposite direction to its BRIC counterparts (i.e. upwards), meaning that they are only now enjoying the upswing in optimism which the others enjoyed over the past two surveys. This could be indicative of a more inherently cautious national mindset – but it could also be indicative of another outsourcing boom which India may be first to benefit from. That optimism is emerging from the healthcare sector, where India's generic drug manufacturers and medical analysis outsourcing providers stand ready to capitalize on the West's growing focus on a healthcare cost containment agenda.

"Western governments' apparent desire to countenance such measures, driven by recessionary cost concerns, coupled with the continued corporate move towards the East, makes it easy to understand levels of optimism which remain strong across all the BRIC countries – subject to them coming to terms with their own inflation and wage concerns."

Ian Gomes, Chairman of KPMG's High Growth Markets practice for KPMG in the U.K.

Confidence falls in EU service sector but manufacturing optimism improves

In the EU, diverging trends are apparent between the services and manufacturing sectors. Confidence in the former has slipped to the lowest since April 2009 (+33.6 from +39.5). A number of companies expressed concerns in the latest survey period that the Eurozone sovereign debt crisis, coupled with fiscal austerity in many countries, will subdue activity going forward.

Sentiment has weakened in all EU countries for which services data are available with the exception of Ireland, which posts the highest optimism. Companies in France and Italy remain notably more upbeat than those in Germany and the UK, where service providers are the least confident since April 2009.

In contrast, EU manufacturers are slightly more upbeat than was the case in February, with June's net balance of +44.5 the highest since July 2007. In those countries using the European single currency, panellists frequently cited a favourable euro/ US dollar exchange rate as a factor likely to boost activity. This has contributed to increased confidence amongst manufacturers in Germany, France, the Netherlands and Ireland. Currency effects continue to support optimism in the UK manufacturing sector, which again registers the strongest degree of positive sentiment in the EU.

In contrast, Greece continues to lag well behind despite the recent EU-IMF rescue loan for its government, with manufacturers signaling pessimism for the fifth consecutive outlook period and to the most severe degree in the survey history. In Spain, fears over sovereign debt and financial sector stress are likely to have contributed to June's lower confidence balances for manufacturing and services activity compared with February. In both cases, these are the second-lowest of all countries surveyed, albeit still well inside positive territory.

Optimism rises in Japan but remains subdued

The outlook for business activity in Japan has strengthened since February to the highest in the past three outlook survey periods. However, the latest net balances for both manufacturing (+30.8) and services (+15.6) are well below the global averages. Japanese panellists continued to comment on muted domestic demand as a factor expected to constrain growth.

"Across the latest survey data there are signs of business confidence entering a static phase. This is affecting the M&A market as fears persist about a double dip recession and the possible fall-out from sovereign debt issues. This has translated into a slower recovery of M&A deals than we had originally expected even though many companies are showing a good recovery in their underlying businesses and have growing cash reserves available for investment.

"It is a common theme throughout this survey that various countries and markets can't seem to shake off all their nagging doubts that still persist in the financial crisis' aftermath. It appears that they're feeling confident – but not quite enough to convince most of them to hit the M&A trail again, at least in the short-term."

David Simpson, Head of Global M&A at KPMG and a partner in the U.K. firm

Inflation

Inflation expectations rise

Price pressures in the global economy are set to increase during the next twelve months, according to the latest business outlook survey. The net balance of manufacturers anticipating higher input costs has risen to +34.1 from +27.6 in February, while the equivalent figure for services has climbed to +23.0 from +18.7.

A similar pattern is evident for output charges, where expectations in both manufacturing (+20.5 from

Executive summary (continued)

+9.4) and services (+12.0 from +8.7) are the highest of the past three outlook surveys.

Inflationary pressures are set to be strongest in Brazil and Russia, which post the highest net balances for all prices-related variables across both the manufacturing and service sectors.

"Having borne the brunt of the recessionary fall-out, consumer market companies remain distinctly cautious, unsure of the true extent of customer confidence. For evidence of this, look no further than the hotels and restaurants sector – a typical bellwether of the extent of consumer spending – which is currently expressing levels of confidence lower than last October. The impact of that reduced spend can also be seen in how brand-based organisations find themselves under increased pressure from their private label competitors in much the same way that pharmaceutical companies find themselves squeezed by generic producers.

"With economies around the world recovering, we might have expected optimism to be translated into a renewed focus on revenue enhancement by now. Yet many (RC) consumer companies remain firmly rooted in an austerity phase, their focus locked on sustaining the reduced cost base which the crisis somewhat foisted on them. All in all, it makes for a frustrating time for consumer companies. No doubt desperately keen to start making their long term plans, they find themselves struggling to accurately plan for one year into the future, let alone five."

Julian Thomas, Global Consumer Markets Lead, Advisory

Labor market

Job creation set to strengthen

The outlook for global employment has brightened since February. A net balance of +20.9 manufacturers forecast a rise in staffing levels during the coming year, up from +14.6. The net balance for services has increased to +19.3 from +17.1. Growth of employment is set to be largely driven by the US and BRIC area. In contrast, companies in the EU and Japan maintain cautious attitudes towards their labor forces. In Greece and Spain, declines in employment are expected.

Investment

Higher levels of investment planned

Growth of expenditure on both capital and R&D is anticipated in the global manufacturing sector in twelve months' time, as signaled by respective net balances of +21.7 and +20.8. Service providers also expect a rise in capex, with the net balance at +13.4. In each case, the strongest increases in investment are forecast in the BRIC countries, led by Brazil. However, investment plans remain notably subdued in the EU, particularly amongst service providers.

"Across most of the manufacturing indicators, there is optimism mixed with caution, with little or no change in the numbers over the past four months. This comes as no surprise to me because if there is one word I would use to currently characterize the industrial manufacturing sector, it would be 'uncertainty'.

"Uncertainty abounds over the role of government, the shape and scale of possible legislation and regulation and the resulting impact on the cost of doing business.

"There is uncertainty over the impact of the European sovereign debt crisis on global credit markets, the austerity programs that European governments are considering and the related impact on demand for industrial products. (Continued)

"Consumer confidence and spend is fluctuating around the world, making it difficult to pinpoint where to focus sales and investment efforts.

"As long as uncertainty persists, decision-making is difficult. Where to invest, where to invest in new capacity, when to make acquisitions; these are difficult questions made far harder by the prevailing uncertainty. To further complicate matters, this is a sector which cannot change direction or reinvent itself in an instant. Complex customer relationships, long and sophisticated supply chains and significant embedded costs are all factors which make restructuring and reinvention a lengthy process.

"Despite healthy optimism that manufacturers will better utilize existing capacity in the next 12 months, significant over-capacity remains throughout the industry. Businesses will be keen to make use of every last drop of capacity before they even contemplate adding in more.

"This thinking can be seen in the employment numbers as well, where optimism remains in check compared to most other indicators. This is because businesses would rather make best use of what they have already rather than countenance hiring more workers who could then be laid off just as quickly if the recovery is not sustainable. The painful lessons of the past 18 months will not be quickly forgotten."

Jeff Dobbs, Global Head of Diversified Industrials

USA

Manufacturing Sector (page 7)

- US manufacturers expect a strong increase in activity over the next twelve months. At +69.3 in June, the net balance is up from +65.7 in February.
- A further rise in incoming new business is anticipated (+64.8), which will support the expansion in output.
- Reflective of the projected rise in activity, capacity utilization is set to expand (+38.2). This is a faster increase than predicted in February.
- A net balance of +40.4 firms expect employment to increase, a sharp rise from +27.3 in February.
- Input and output prices are expected to rise at broadly similar rates in the next twelve months.
- Subsequently, both business revenues (+67.0) and profits (+63.7) are forecast to rise markedly.
- Manufacturers expect to increase capex solidly (+28.5), with R&D expenditure also projected to rise (+21.3).

Service Sector (page 8)

- A marked degree of optimism regarding future activity levels (+61.2) was recorded within the US service sector in June.
- The latest survey data show a marginal uplift in growth expectations from the previous survey period.
- The expansion in activity is set to be supported by a further rise in new orders, for which expectations have also risen since February.
- A net balance of +29.9 firms project employment to rise in the next twelve months. However, outsourcing requirements are anticipated to increase only slightly.
- Firms expect input costs to rise at a faster pace than was forecast in February (+24.3), although this has had little impact on the predicted increase in charges (+19.2).
- Business revenues (+60.7) and profits (+56.5) are both set to grow at a strong pace.

Comment from KPMG:

"Manufacturing and services sector sentiment remains resolutely and encouragingly positive once again. But, no doubt, the market suffers from a bit of schizophrenia. Good economic indicators one day can lift spirits, while a negative report the next day can send the market into a temporary tailspin. Such economic conditions are making it difficult to balance a long-term sense of optimism against a vast range of factors that provide underlying reasons for scepticism."

Lynne Doughtie, National Managing Partner, Advisory, KPMG in the U.S.

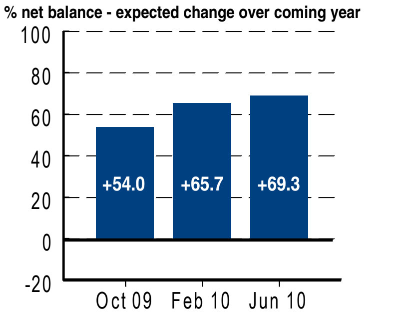
"Profits and the earnings outlook may appear strong, for example, but concern remains over how much this is owed to stimulus spending, restocking inventories and cost-cutting, such as staff reductions. Major stock indices show volatility, reflecting, in part, concerns around an over-dependence on government spending and increasing regulation. There is a significant level of regulation in the pipeline. Many in the market have concerns about the spectre of a large body of rules and studies heading our way, covering everything from trade and taxation to healthcare and from alternative energy and offshore drilling standards to financial reform.

"With all these factors in play, and factoring in shareholder concerns and demands, a number of CEOs have moved to enhance their risk management organizations, battening down the hatches, if you will. Yet, businesses could go a long way to realizing any sense of optimism by translating their confidence into actual investment. After all, optimism around capex and employment is high – and many businesses are sitting on decent cash reserves. Until that happens though, this prevailing optimism could remain tempered."

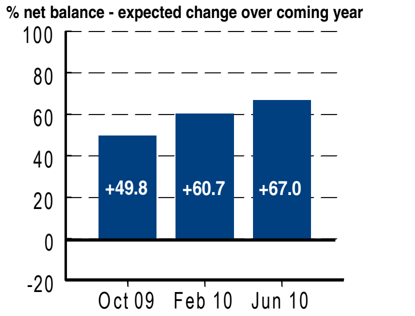
Michael J. Nolan, Global Head of KPMG's Risk and Compliance practice and a partner in the U.S. firm

USA – Manufacturing

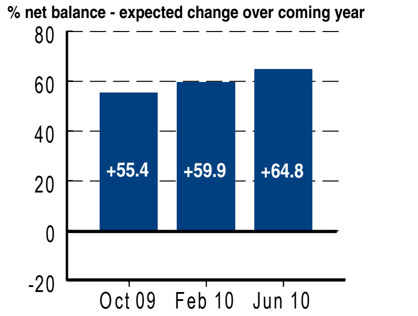
Business Activity



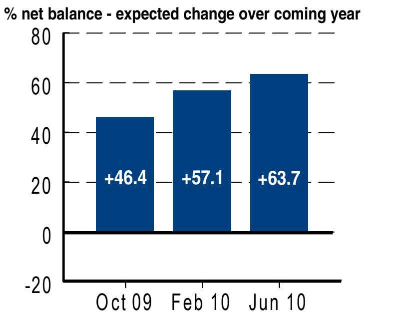
Business Revenues



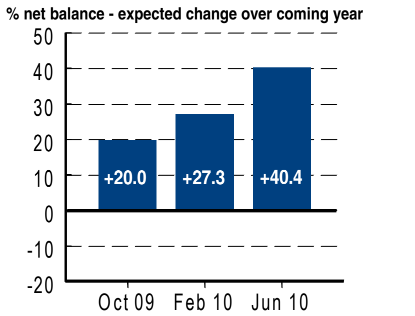
New Orders



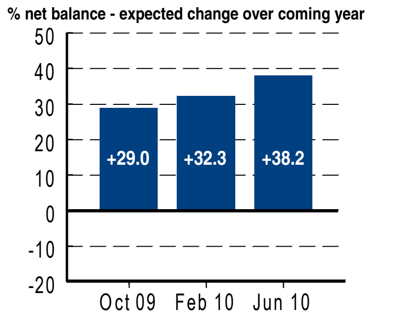
Profits



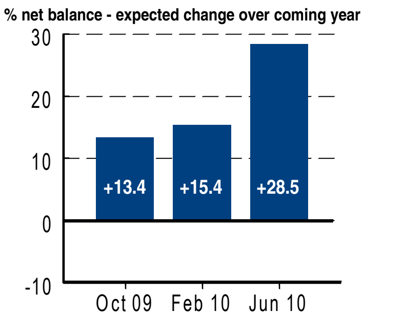
Employment



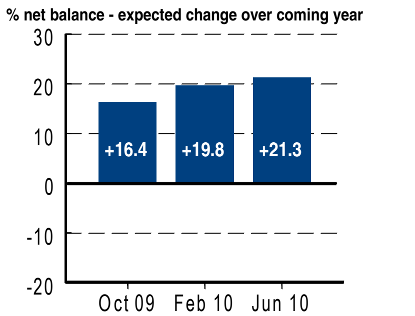
Capacity Utilization



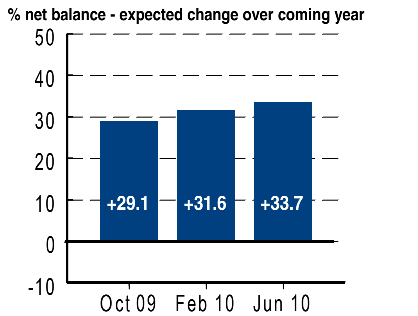
Capital Expenditure



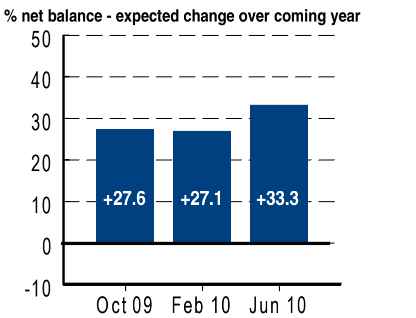
R&D Expenditure



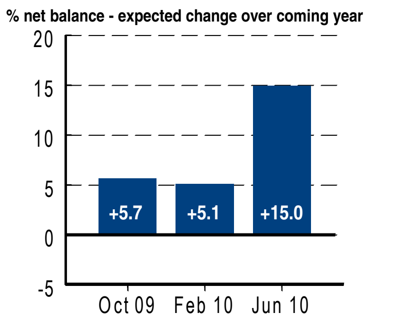
Input Prices



Output Prices



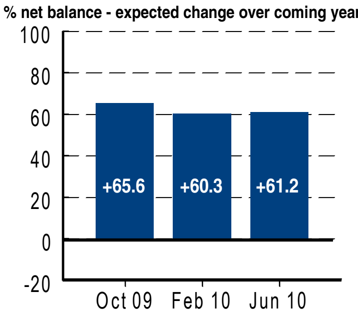
Inventory: Output Ratio



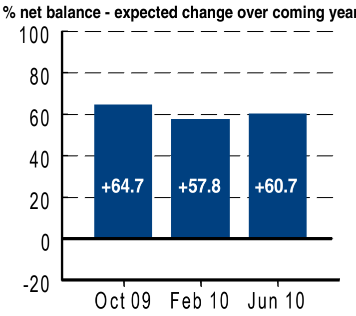
US joined survey in October 2009

USA – Services

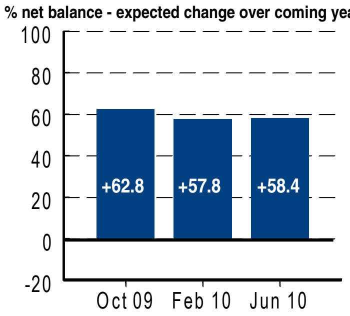
Business Activity



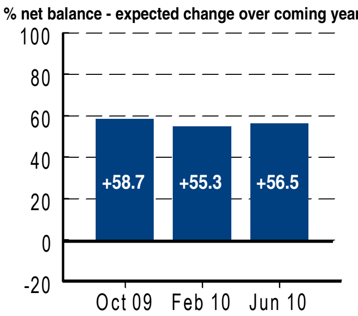
Business Revenues



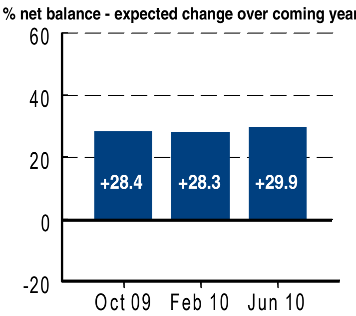
New Orders



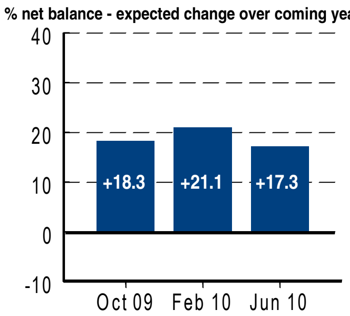
Profits



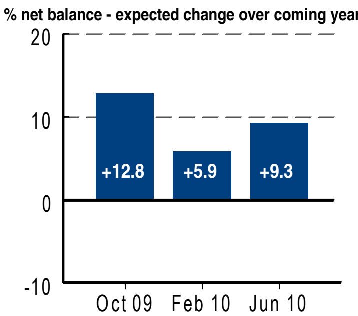
Employment



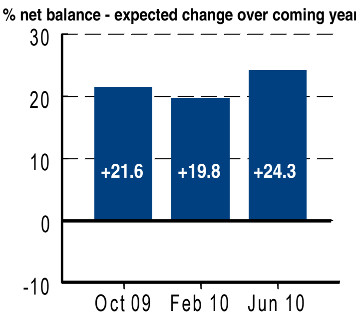
Capital Expenditure



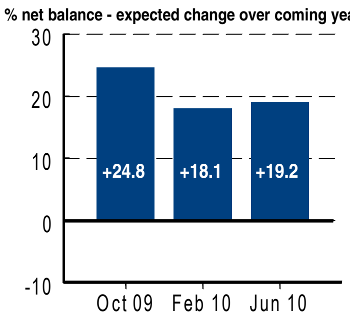
Outsourcing



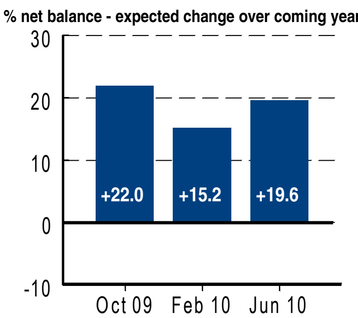
Input Prices



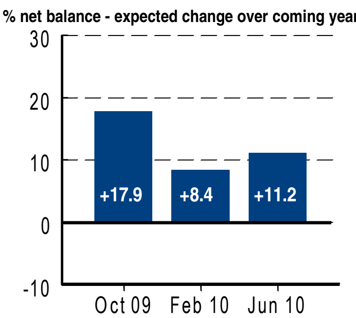
Output Prices



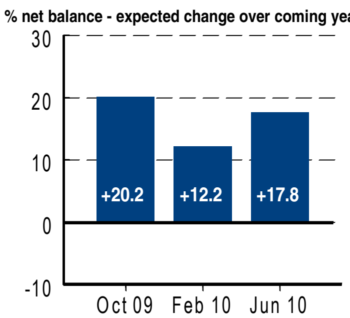
Staff Costs



Services Costs



Non-Staff Costs



US joined survey in October 2009

Japan

Manufacturing Sector (page 10)

- Manufacturing companies in Japan are optimistic about the prospects for activity levels in the year ahead. At +30.8, the net balance of firms predicting growth of activity is the highest in the short survey history.
- At +25.1, the net balance of manufacturers expecting new orders to be higher in twelve months' time indicates optimistic about future new business levels. Consequently, firms foresee a moderate rise in business revenues during the coming year.
- Companies expect profit levels to be higher in twelve months' time.
- Contrasting with the situation in the past two outlook periods, manufacturers foresee a rise in average input costs in the year ahead. Output prices are set to fall in the coming year, although the forecast rate of decline is the slowest in the survey history.
- Employment is again expected to fall, albeit to a lesser extent than in previous survey period.

Comment from KPMG:

"The Japanese Government, led by the country's new Prime Minister, Naoto Kan, announced the New Growth Strategy of Japan in June. The Strategy aims to revitalize the country and to recover from persistent deflation by the year 2020. The Strategy focuses on seven strategic areas for growth and outlines 21 National Strategic Projects, including the long-awaited five percent reduction in corporation tax. Although the immediate economic impact is uncertain, Japanese economic and financial communities nevertheless appear to have received this message from the Government somewhat favourably.

"However, doubts persist over the government's ability to implement this new strategy. This is understandable considering that we have had five different Prime Ministers in the last five years and because the newly elected Democratic Party of Japan (DPJ) has not yet demonstrated strong leadership or been able to decisively implement its own manifesto promises.

"In addition, the Strategy document does not include a clear budget for implementation and it is common knowledge that the Treasury has insufficient funds to facilitate everything covered by the Strategy at a time when public debt is twice the size of the GDP. (Continued below)

Service Sector (page 11)

- Japanese service providers are more optimistic about the outlook for business activity than in the previous survey period. The respective net balance has risen from +3.9 to +15.9, a high for the short survey history.
- The improvement in confidence for future activity is mirrored by an increase in expectations for business revenues (+6.2, from -8.7), but forecasts for new orders remained subdued with the respective net balance again in negative territory at -0.3.
- Profitability is forecast to rise and at a faster (albeit still modest) rate, while companies are expecting to increase their capital expenditure with the respective balance reaching +9.8.
- Employment intentions are positive for the first time in three outlook periods (+5.2).
- Input costs are forecast to increase for the first time in the short survey history, but output charges are expected to decline slightly in the next year (-1.3).

"Furthermore, the Strategy's distant 2020 time horizon makes it difficult to accurately predict whether its ambitions are realistic or can be achieved. This latest survey's results are perhaps indicative of the mixed feelings around this from Japanese respondents.

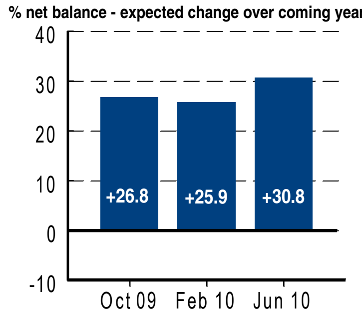
"The Japanese economy is now highly dependent upon exports to the United States and China. While Japan is benefiting from economic recovery in the US and from the growing Chinese economy, the relative strength of the Japanese yen negates this benefit to some extent. The bigger questions that this leaves you with are – how long will this scenario last; how sustainable and stable will any recovery be; and can we totally depend upon such external factors to revitalize our own economy?

"As I said in the previous survey, it is obvious to me that we must have a clear answer to the question of what Japan might build a further 50 years of success upon. The announcement of the New Growth Strategy may be the first step. Then again, the essential fragility of the current Japanese government is unlikely to provide Japanese people and businesses alike with the confidence they crave in terms of the government's ability to deliver on their promises."

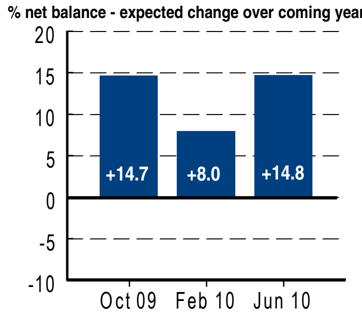
Masami Hashimoto, Head of Advisory, KPMG in Japan

Japan – Manufacturing

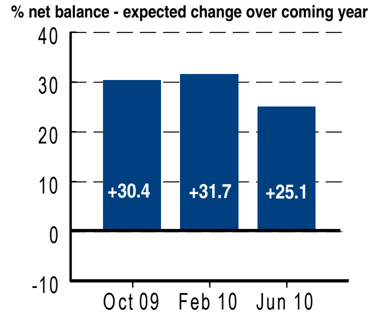
Business Activity



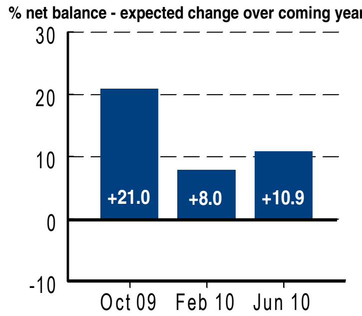
Business Revenues



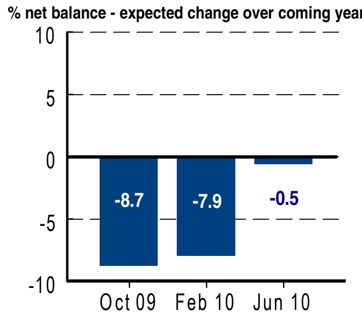
New Orders



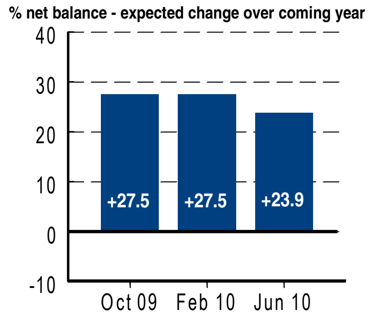
Profits



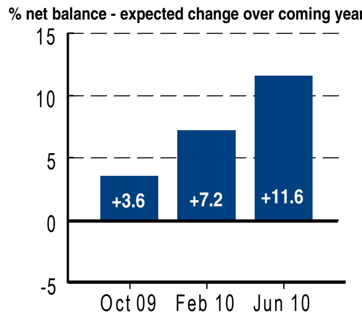
Employment



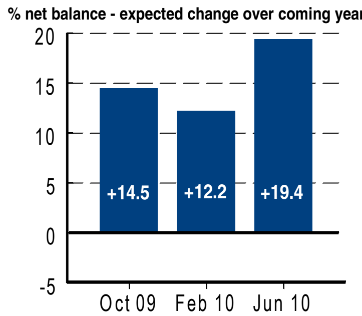
Capacity Utilization



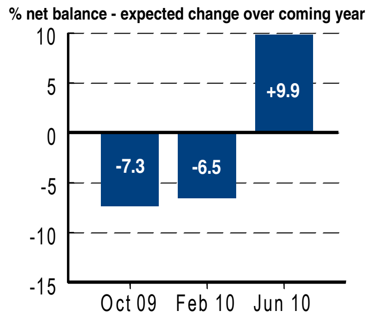
Capital Expenditure



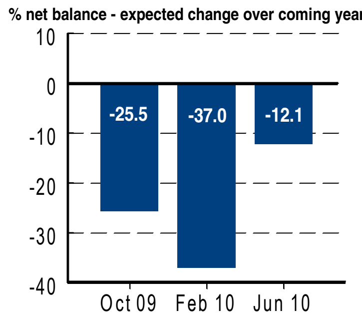
R&D Expenditure



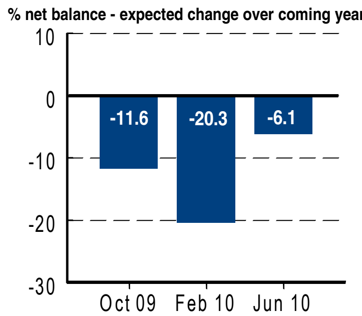
Input Prices



Output Prices



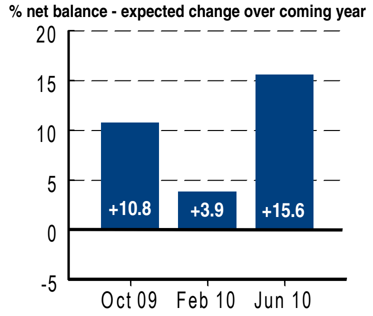
Inventory: Output Ratio



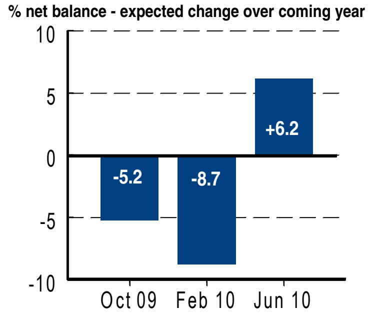
Japan joined survey in October 2009

Japan – Services

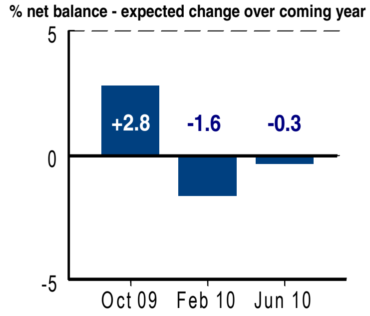
Business Activity



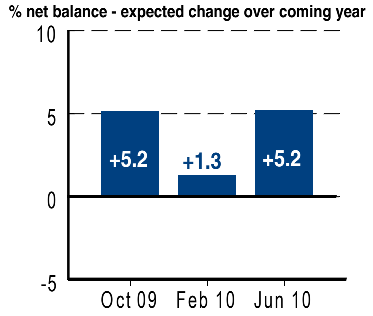
Business Revenues



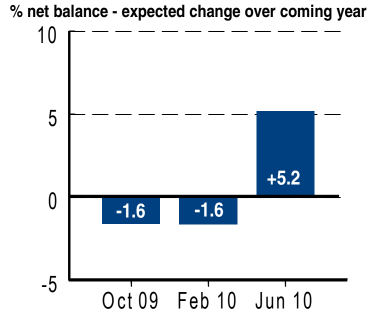
New Orders



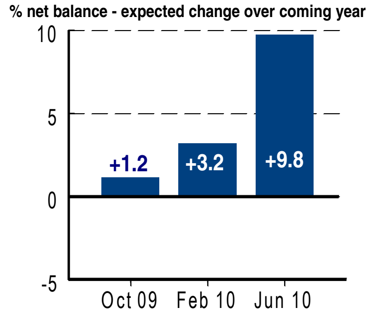
Profits



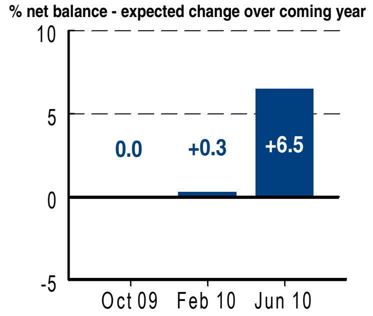
Employment



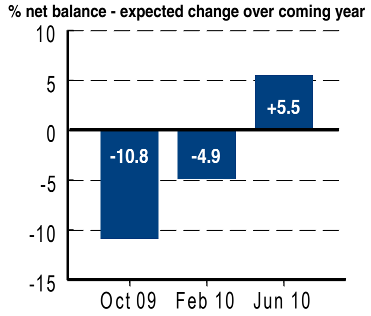
Capital Expenditure



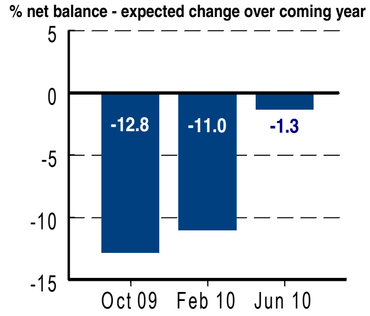
Outsourcing



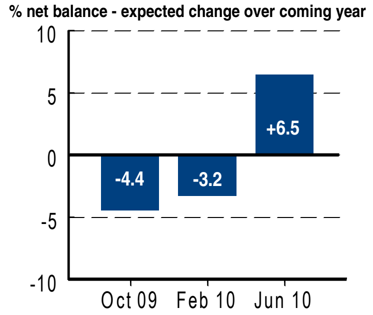
Input Prices



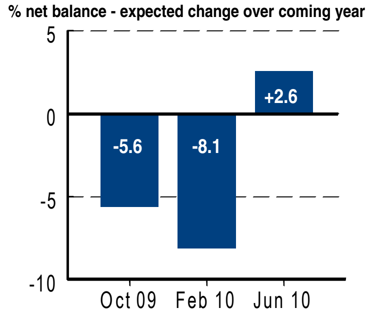
Output Prices



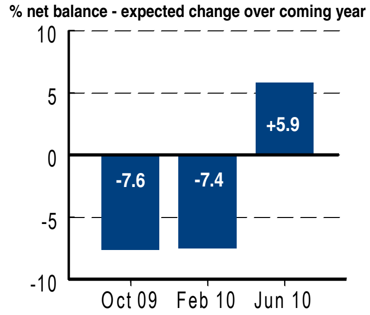
Staff Costs



Services Costs



Non-Staff Costs



Japan joined survey in October 2009

Germany

Manufacturing Sector (page 13)

- German manufacturers signal improving optimism about the outlook for business activity in the next twelve months.
- Around 62% of firms anticipate an increase in activity, compared with just 12% that forecast a decline in production at their plants.
- As a result, the next balance has risen to +50.2 in June, up from +46.1 in February and the highest reading since January 2008.
- Anecdotal evidence cited the weaker euro and rising underlying export demand as key factors that are likely to boost production.
- Manufacturers also expect rising profits, capacity utilization and workforce numbers in the next twelve months, reflecting hopes of a continued recovery in new order levels.
- Improved confidence in the year-ahead outlook for overall business conditions resulted in positive expectations for both capex and R&D expenditure for the first time since July 2008.

Comment from KPMG:

"Germany's economic recovery has continued to progress in the second quarter of 2010, boosted by good news from various industries such as the German carmakers who – having been hit hard by the downturn - have now returned to full production and have ended short-time working. Consequently, the most closely watched economic indicators have picked up; clearly demonstrating clear optimism for the future, especially in the traditional manufacturing heart of the German economy where confidence is growing, based on strong export numbers.

"However, there is still uncertainty about whether the recession is actually over. Will economies be able to cope with their governments' significant anti-crisis measures and will these comprehensive programs lead to increasing inflation? Only time will tell whether the concerns in the financial world are strong enough to have an impact on economic growth.

(Continued below)

Service Sector (page 14)

- Confidence in the outlook for service sector business activity weakened slightly in June and remains less marked than in the manufacturing sector.
- Around 46% of service providers anticipate an increase in activity in the year ahead, compared to 20% that forecast a decline.
- As a result, the net balance has dropped from +27.3 in February to +25.3 in June.
- Expectations for jobs growth remain muted, with the net balance at +3.4 in June, up only fractionally from +2.0 in February.
- In contrast to the manufacturing sector, service providers are downbeat about the prospects for capex, with the net balance at -5.6 in June.
- Price discounting is anticipated over the next twelve months, with the net balance posting -7.3 in June.
- However, at +21.9 in June, the net balance of firms expecting an increase in overall costs is the highest since October 2008.

"Overall though, our economic outlook is optimistic. German businesses are coming out of the crisis well-prepared for the future and more market-oriented than ever. As such, the German economic upturn should be able to build on helpful factors already in place – such as above-average industrialisation and export orientation - thereby ensuring substantial growth potential for German companies.

"The sharp rise in trade with major emerging markets, particularly with high growth markets such as Brazil, China, India and Russia, will ensure that confidence keeps on improving and should enhance business prospects. Additionally, I am confident that we shall see further recovery on a global level, boosted by buoyant domestic and international demand. We should also see future growth stimuli emerging from business areas such as sustainability management, foreign investments, innovation and technology and a recovering IPO market - with innovation and knowledge-sharing likely to prove particularly important for succeeding in the German market."

Robert Gutsche, Head of Markets, KPMG in Germany

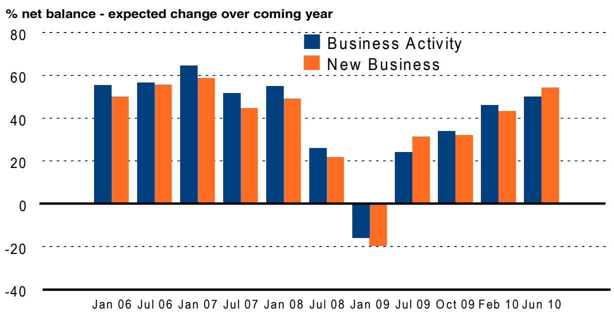
Germany – Manufacturing

Germany Manufacturing Summary

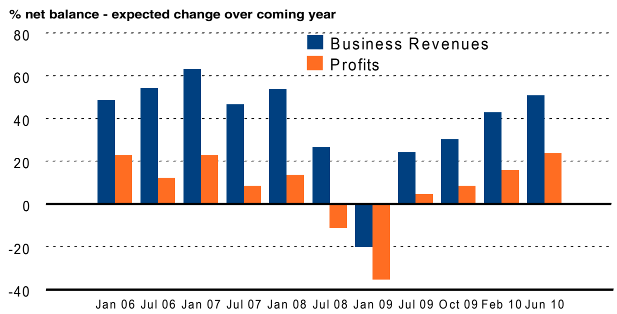
Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)

	Jan-09	Jul-09	Oct-09	Feb-10	Jun-10
Business Activity	-15.8	+24.2	+33.9	+46.1	**+50.2**
Business Revenues	-20.0	+24.2	+30.4	+42.9	**+50.7**
New Orders	-19.6	+31.6	+32.1	+43.3	**+54.4**
Profits	-35.4	+4.5	+8.5	+15.7	**+23.8**
Employment	-33.8	-11.5	-14.3	+6.9	**+17.4**
Capacity Utilization	-19.6	+16.4	+24.1	+39.6	**+44.9**
Capital Expenditure	-31.9	-20.5	-15.2	-5.1	**+9.7**
R&D Expenditure	-16.9	-13.1	-4.0	-7.4	**+4.8**
Input Prices	-36.9	-4.5	+7.6	+33.3	**+60.4**
Output Prices	-29.6	-21.7	-12.6	-2.8	**+22.2**
Inventory: Output Ratio	-25.8	-23.4	-22.8	-21.2	**-8.7**

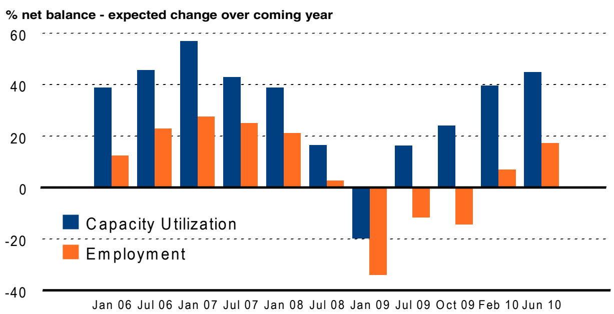
Business Activity / New Orders



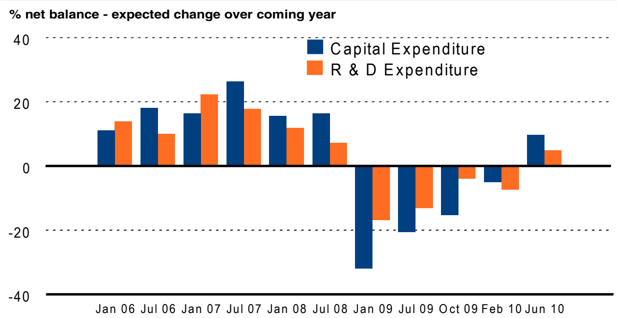
Business Revenues / Profits



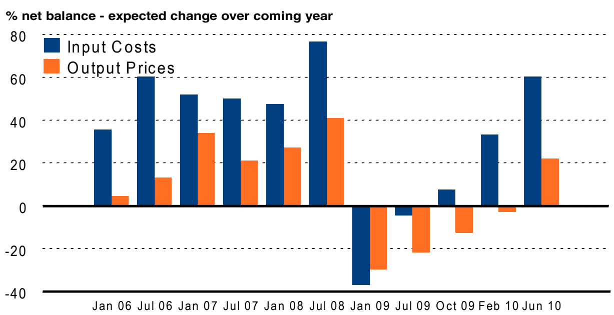
Employment / Capacity Utilization



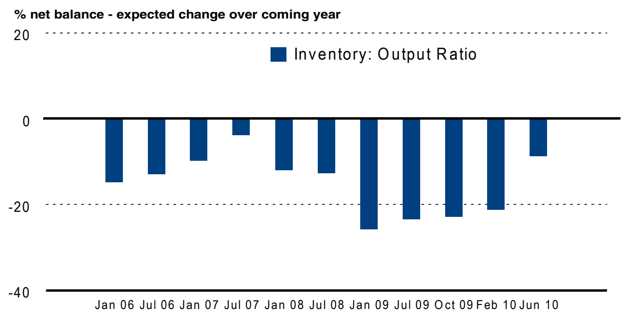
Capital Expenditure / R&D Expenditure



Input / Output Prices



Inventory: Output Ratio



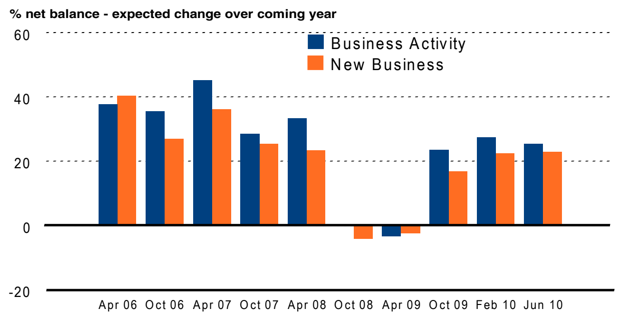
Germany – Services

Germany Services Summary

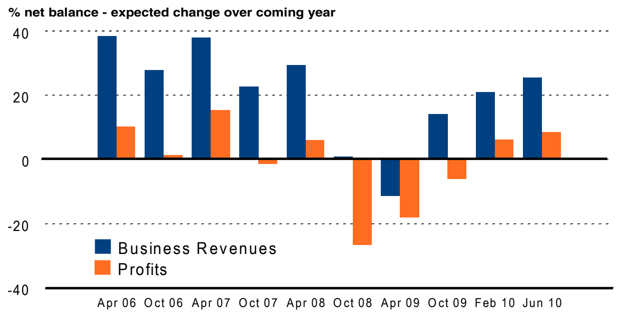
Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)

	Oct-08	Apr-09	Oct-09	Feb-10	Jun-10
Business Activity	0.0	-3.3	+23.6	+27.3	**+25.3**
Business Revenues	+0.8	-11.3	+14.1	+20.9	**+25.4**
New Orders	-4.0	-2.2	+16.9	+22.4	**+22.8**
Profits	-26.5	-17.9	-6.0	+6.1	**+8.6**
Employment	-12.0	-22.6	-1.6	+2.0	**+3.4**
Capital Expenditure	-20.9	-26.6	-10.0	-7.8	**-5.6**
Outsourcing	-12.9	-19.3	-16.9	-17.6	**-18.1**
Input Prices	+37.8	-4.0	+16.9	+15.1	**+21.9**
Output Prices	+10.0	-27.4	-17.7	-14.4	**-7.3**
Staff Costs	+46.2	+5.1	+20.2	+22.1	**+29.2**
Service Costs	+11.6	-15.7	-7.3	-3.7	**-0.9**
Non-Staff Costs	+19.3	-11.7	-11.2	-0.4	**-6.4**

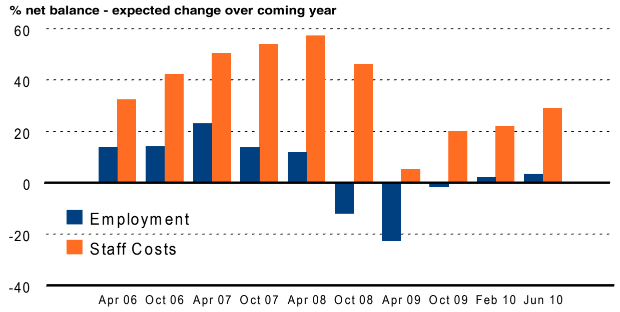
Business Activity / New Orders



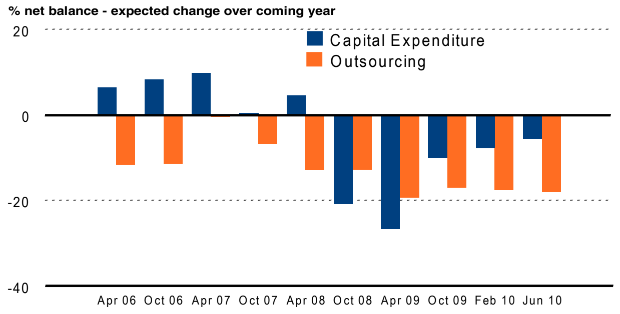
Business Revenues / Profits



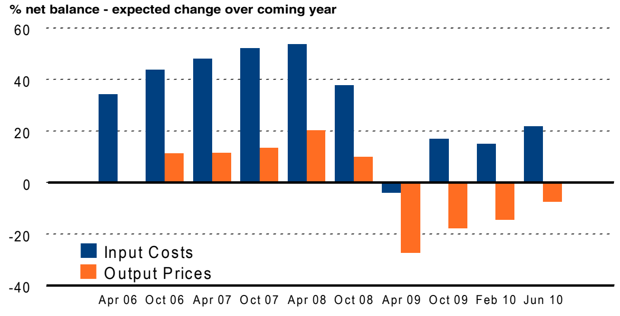
Employment / Staff Costs



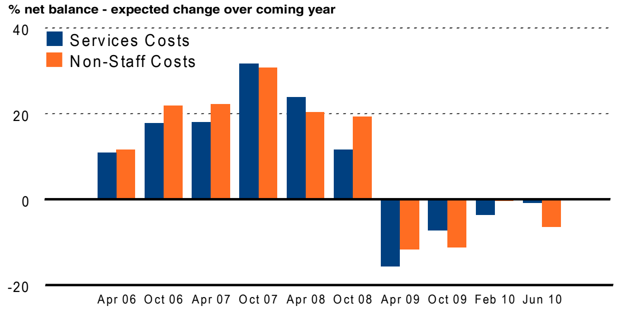
Capital Expenditure / Outsourcing



Input / Output Prices



Service / Non-Staff Costs



United Kingdom

Manufacturing Sector (page 16)

- UK manufacturers remain optimistic over future activity, with the net balance posting +56.2 to signal strong expected growth.
- Higher activity is set to be supported by increased levels of new business (+56.5).
- Capacity utilization is projected to increase solidly over the next twelve months (+46.1).
- Employment is forecast to increase over the year. The net balance of +25.8 is the strongest in the series history.
- The planned reduction in inventories as a proportion of output is the lowest in the series history (-8.5).
- Input prices are anticipated to rise solidly (+49.7), and at a faster rate that output prices (+43.5). Subsequently, profits are forecast to increase at a weaker pace than revenues.
- Both capex and R&D spending are forecast to rise at slower rates than was forecast in the previous survey period.

Comment from KPMG:

"Across the UK manufacturing sector, it feels that we are experiencing a progressive recovery; something which is shallow but sustainable and with the fears of a double dip recession beginning to fade into the background. With most of the survey indicators levelling off, it is interesting that optimism is actually increasing around the prospects for employment. Of course, it's impossible to make out whether this translates to permanent, rather than part-time, jobs. Nevertheless, this is still indicative of a growing feel of sustainability within the recovery.

"Despite this, I fear storm clouds may still be gathering on the European horizon. There are now a number of key economies that are actively tackling national deficits and this must surely have a significant effect on the sector some way down the line. In addition, there is a general feeling of disappointment at the manner in which the UK government's stated aim to rebalance the economy and provide a real boost to manufacturing is yet to translate into tangible actions, effectively leaving the sector to fend for itself.

"To counter this negativity, it's tempting to simply point out how the latest German manufacturing numbers in this survey are almost a like-for-like copy of the UK numbers – and people are generally upbeat about German manufacturing. Sadly, this misses the point about scale and impact on the national economy. German manufacturing still has scale – whereas at 13 percent of UK GDP, we no longer do."

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

Service Sector (page 17)

- Positive sentiment regarding activity and new business has fallen to +29.2 and +29.8 respectively, the lowest for three outlook periods.
- Subsequently, business revenues are expected to rise at a slower pace than was predicted in February (+24.1).
- UK service companies anticipate a solid rise in input costs (+39.0) during the next twelve months, largely due to higher staff costs. Output prices are expected to increase to a lesser extent (+18.0).
- Profits are projected to rise at a slower rate than they were in February.
- Employment is forecast to rise modestly, and at a similar pace to the EU average. However, outsourcing is expected to fall.
- UK service companies expected to reduce their investment in capex over the next twelve months, albeit only fractionally.

Comment from KPMG:

"While confidence is surging in manufacturing, confidence across the UK services sector appears to be more fragile. Unlike their manufacturing counterparts, service companies benefit far less from an upturn in the global market place and from a depreciating economy – and these numbers reflect that.

"Confidence in UK service businesses is lower than in any European country except Spain – with UK businesses probably mindful that they are yet to see the full impact on the sector of the government's intention to reduce public spending. The saving grace here is that at least the confidence figures remain in relatively healthy territory. It is simply the unfavourable comparison to their European neighbours in particular that makes their recent decline all the more noticeable."

Alan Buckle, Global Head of Advisory

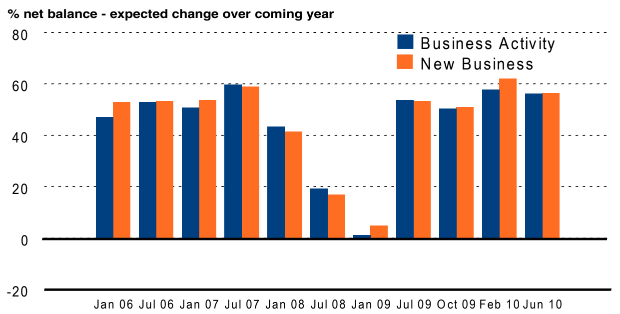
United Kingdom – Manufacturing

UK Manufacturing Summary

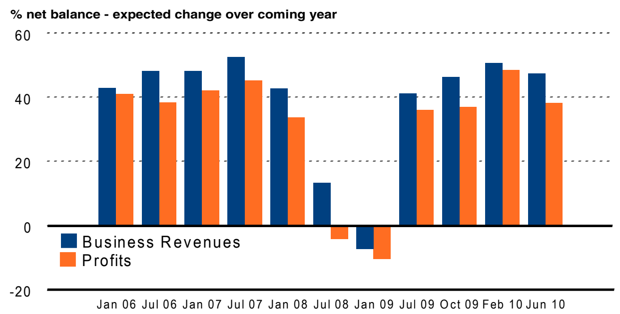
Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)

	Jan-09	Jul-09	Oct-09	Feb-10	Jun-10
Business Activity	+1.2	+53.8	+50.4	+57.9	**+56.2**
Business Revenues	-7.4	+41.1	+46.4	+50.6	**+47.4**
New Orders	+4.9	+53.3	+51.0	+62.1	**+56.5**
Profits	-10.5	+36.0	+37.0	+48.5	**+38.2**
Employment	-29.2	+7.6	+7.7	+20.6	**+25.8**
Capacity Utilization	+4.9	+41.9	+42.1	+52.1	**+46.1**
Capital Expenditure	-35.1	-0.8	+5.4	+14.4	**+8.5**
R&D Expenditure	-19.7	-0.3	+10.0	+16.6	**+11.1**
Input Prices	-13.5	+19.3	+33.6	+46.3	**+49.7**
Output Prices	-8.6	+18.4	+30.2	+41.2	**+43.5**
Inventory: Output Ratio	-34.8	-20.7	-19.4	-13.4	**-8.5**

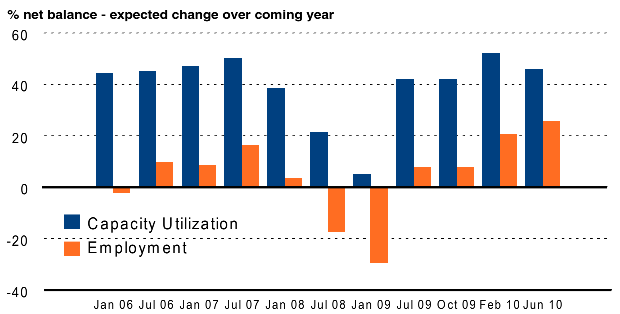
Business Activity / New Orders



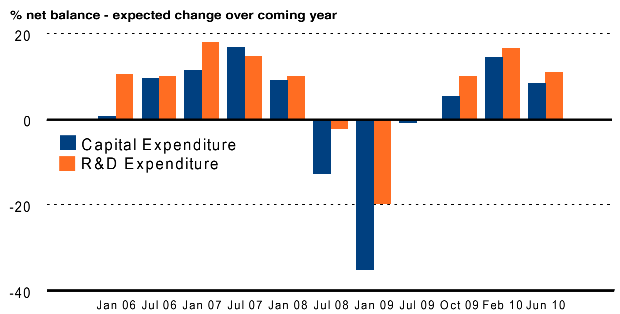
Business Revenues / Profits



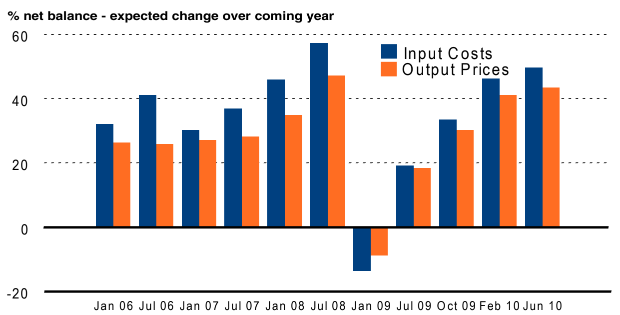
Employment / Capacity Utilization



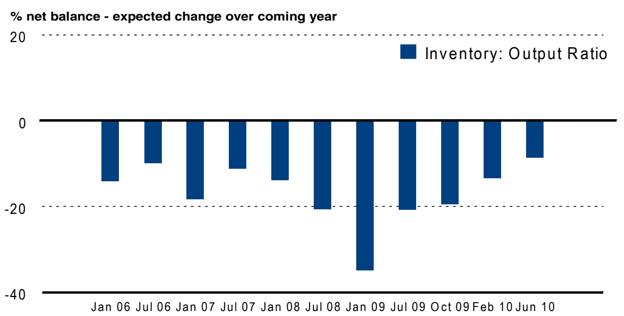
Capital Expenditure / R&D Expenditure



Input / Output Price Inflation



Inventory: Output Ratio



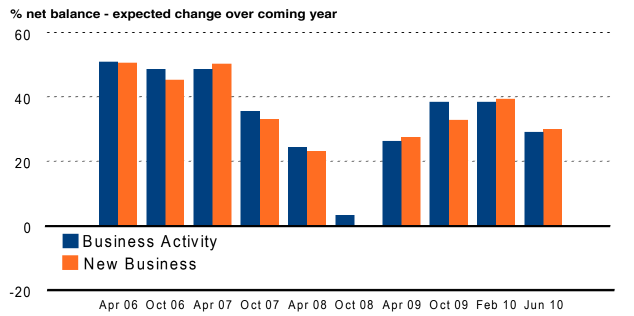
United Kingdom – Services

UK Services Summary

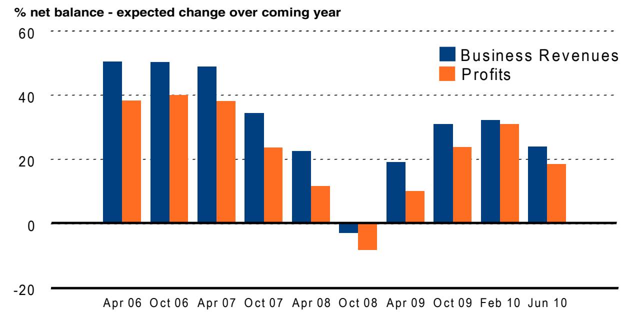
Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)

	Oct-08	Apr-09	Oct-09	Feb-10	Jun-10
Business Activity	+3.4	+26.4	+38.6	+38.5	**+29.2**
Business Revenues	-2.8	+19.2	+31.0	+32.3	**+24.1**
New Orders	-0.3	+27.4	+32.9	+39.4	**+29.8**
Profits	-8.0	+10.1	+23.8	+31.1	**+18.6**
Employment	-13.3	-1.3	+9.1	+9.2	**+7.8**
Capital Expenditure	-26.9	-11.3	+0.3	+2.8	**-0.7**
Outsourcing	-6.8	-1.9	+0.6	+2.8	**-2.0**
Input Prices	+16.4	+16.0	+35.4	+40.6	**+39.0**
Output Prices	+9.6	+5.7	+21.3	+21.2	**+18.0**
Staff Costs	+23.8	+8.5	+33.9	+36.3	**+34.9**
Services Costs	+4.6	+5.3	+12.2	+18.5	**+18.0**
Non-Staff Costs	+10.2	+8.8	+25.4	+26.8	**+25.4**

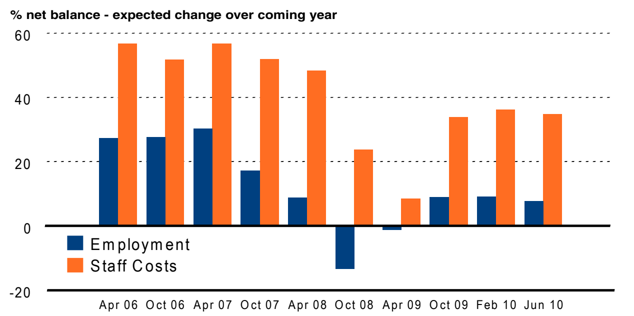
Business Activity / New Orders



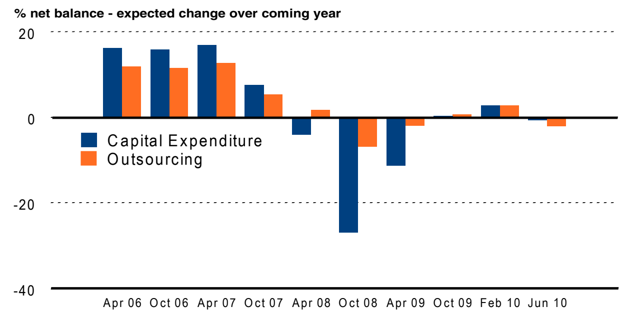
Business Revenues / Profits



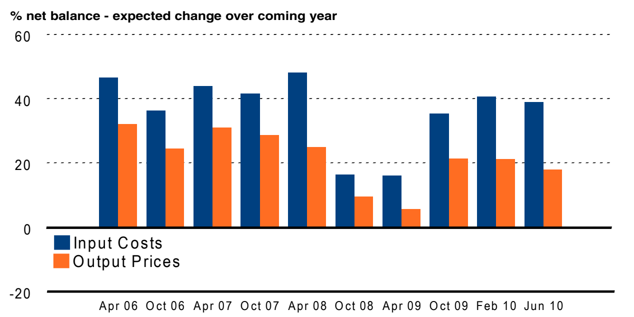
Employment / Staff Costs



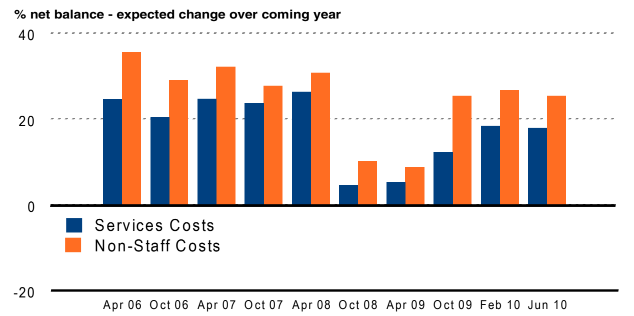
Capital Expenditure / Outsourcing



Input / Output Price Inflation



Services / Non-Staff Cost Inflation



France

Manufacturing Sector (page 19)

- Confidence regarding future activity amongst French manufacturers has improved to the highest since July 2007, as shown by a net balance of +34.8.
- Growth of output is set to be supported by increased volumes of incoming new business (+39.0), expectations for which are also the highest since July 2007. The weakness of the euro versus the US dollar is widely cited by panellists as a factor set to underpin rising new orders.
- A net balance for profits of +20.5 is the highest since data were first available in January 2006.
- Despite expected higher workloads, French manufacturers plan to trim their staffing levels during the next twelve months (-1.8).
- Forecasts for capital expenditure have been revised up since February to the highest since July 2007 (+11.2). R&D spending is also set to rise (+5.0).
- For the first time since summer 2008, output charges are expected to rise (+22.0), albeit at a slower rate than input costs (+57.3).

Comment from KPMG:

"Although many of the French indicators are encouraging, I still have a sense of nervousness about them. There has definitely been a recent short-term pick-up in the French economy – which has evidently influenced market sentiment – but this may only be masking longer term uncertainties. I believe that France is not alone in experiencing volatile market conditions and it is this volatility which makes accurate business planning and forecasting a very tricky exercise. In turn, this is what creates the longer-term uncertainty.

(Continued below)

Service Sector (page 20)

- Expectations for growth of activity in the French service sector remain strong in June, despite easing slightly since the previous survey in February. The net balance posts +47.3, down from +52.4.
- Revenues and profits are set to rise strongly during the coming year. The latest net balances of +43.4 and +35.9 respectively are both at series highs.
- Service providers in France expect to raise employment (+18.5) and also outsource more work (+10.9).
- Plans for capital expenditure have been revised higher, with the latest net balance of +16.3 the strongest since October 2007.
- Input prices are expected to rise (+32.9), with higher staff costs being the principal source of inflation.
- Prices charged by French service providers are set to increase during the next twelve months. June's net balance of +22.2 is the highest since April 2008.

"Employment indicators are moving in the right direction but even here, the short term gains are tempered by persistent fears of the fragility of the financial services sector and the lack of PE investments. Even the capital expenditure optimism is countered by the realisation that most businesses are currently engaged in shifting their debt-to-equity ratios in favour of more equity. In short, they're looking to obtain money, rather than spend it. Saying that they will be investing more money in twelve months' time is one thing; having market conditions stay calm and stable long enough to do it is something altogether different."

Yannick de Kerhor, Head of Advisory, KPMG in France

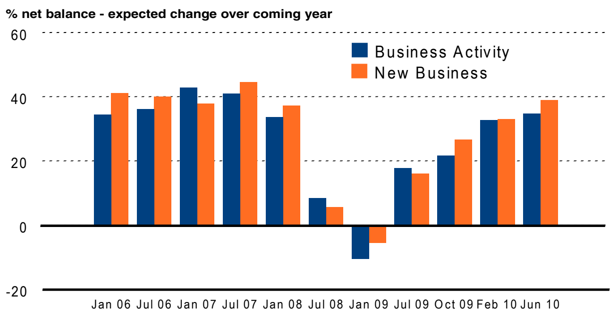
France – Manufacturing

France Manufacturing Summary

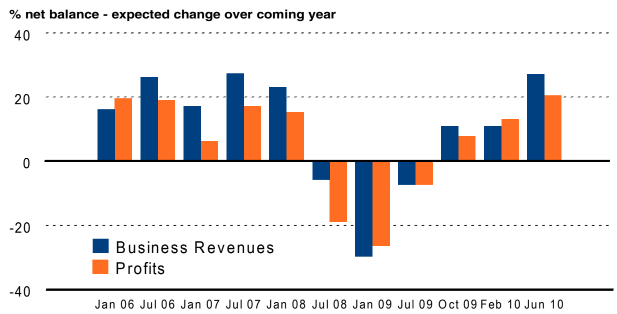
Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)

	Jan-09	Jul-09	Oct-09	Feb-10	Jun-10
Business Activity	-10.4	+17.8	+21.6	+32.7	**+34.8**
Business Revenues	-29.7	-7.2	+10.9	+11.0	**+27.2**
New Orders	-5.5	+16.1	+26.6	+33.1	**+39.0**
Profits	-26.4	-7.2	+7.9	+13.2	**+20.5**
Employment	-37.9	-26.1	-18.7	-6.9	**-1.8**
Capacity Utilization	-1.6	+10.0	+17.8	+30.1	**+34.2**
Capital Expenditure	-34.6	-23.9	-7.2	+3.2	**+11.2**
R&D Expenditure	-22.0	-2.8	+6.1	+5.7	**+5.0**
Input Prices	-33.0	+7.2	+28.9	+28.3	**+57.3**
Output Prices	-25.8	-12.8	-2.1	-4.5	**+22.0**
Inventory: Output Ratio	-30.2	-30.0	-16.2	-16.4	**-12.9**

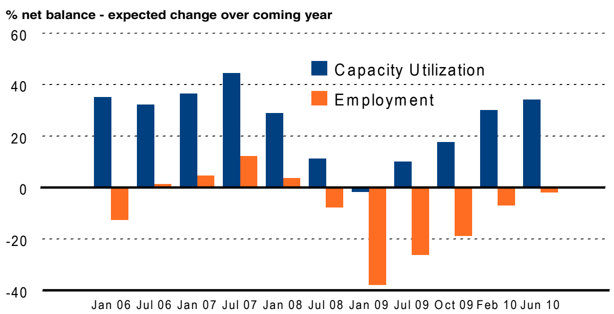
Business Activity / New Orders



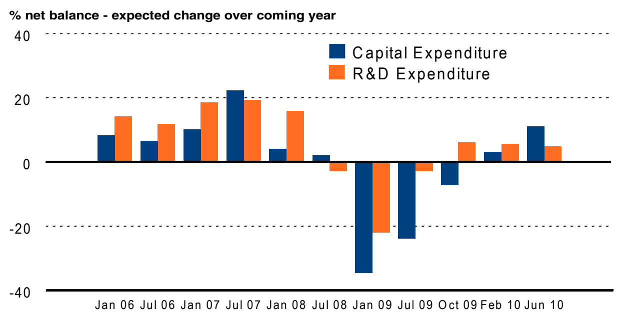
Business Revenues / Profits



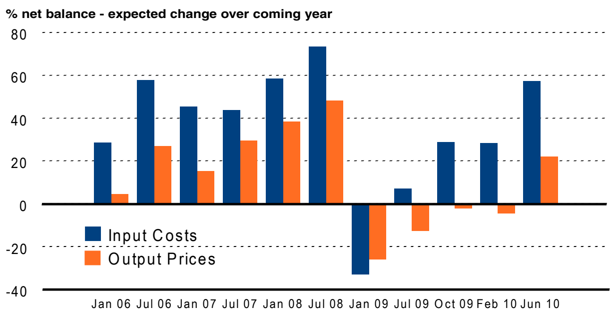
Employment / Capacity Utilization



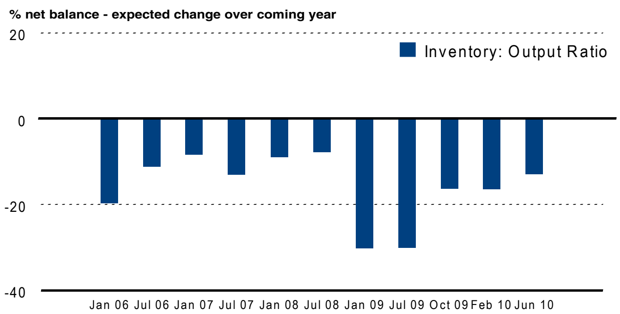
Capital Expenditure / R&D Expenditure



Input / Output Prices



Inventory: Output Ratio



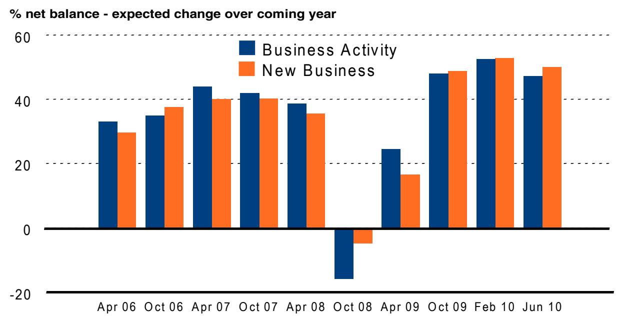
France – Services

France Services Summary

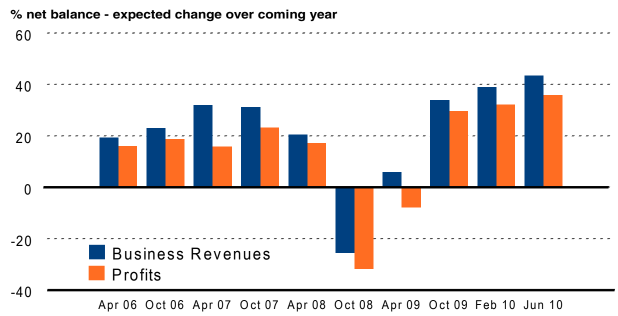
Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)

	Oct-08	Apr-09	Oct-09	Feb-10	Jun-10
Business Activity	-15.9	+24.5	+47.9	+52.4	**+47.3**
Business Revenues	-25.6	+5.9	+33.9	+39.0	**+43.4**
New Orders	-4.9	+16.7	+48.7	+52.8	**+50.0**
Profits	-31.7	-7.8	+29.6	+32.2	**+35.9**
Employment	-17.1	-5.9	+7.6	+7.4	**+18.5**
Capital Expenditure	-13.4	-10.8	+0.0	+5.9	**+16.3**
Outsourcing	+1.2	-7.8	+7.0	+5.1	**+10.9**
Input Prices	+15.9	+0.0	+30.0	+25.7	**+32.9**
Output Prices	+2.4	+11.8	+8.5	+9.2	**+22.2**
Staff Costs	+30.5	+17.6	+32.8	+39.0	**+31.4**
Service Costs	+7.3	-4.9	+18.1	+12.0	**+15.4**
Non-Staff Costs	+12.2	+3.9	+15.4	+6.8	**+14.3**

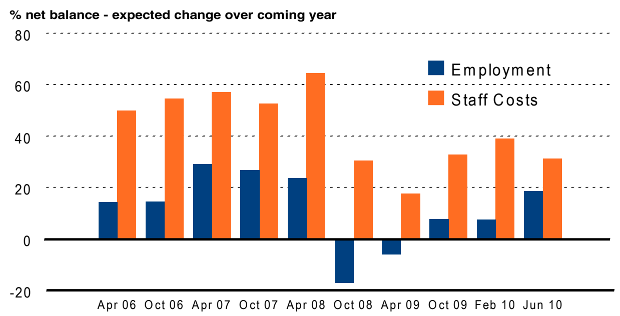
Business Activity / New Orders



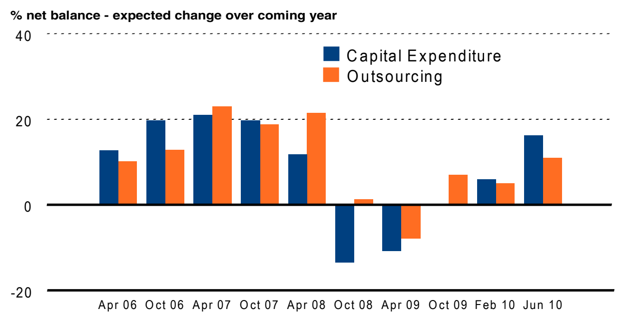
Business Revenues / Profits



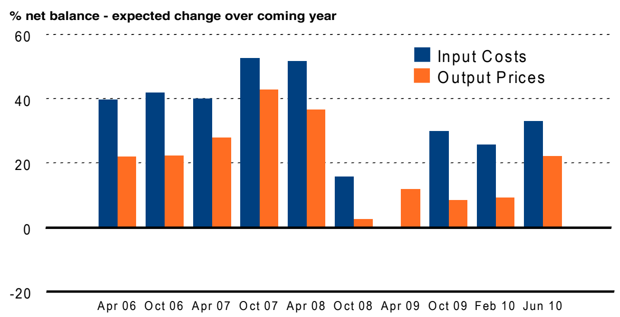
Employment / Staff Costs



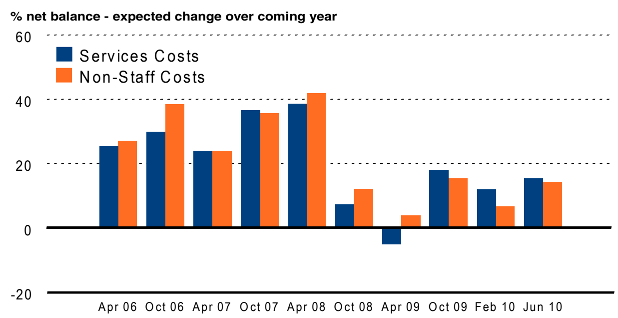
Capital Expenditure / Outsourcing



Input / Output Prices



Service / Non-Staff Costs



Italy

Manufacturing Sector (page 22)

- Firms operating in Italy's goods producing sector are widely optimistic that activity levels at their manufacturing plants will be higher in twelve months' time than presently.
- The net balance of manufacturers expecting activity to be higher in one year's time is +46.5. Although slightly down from the previous survey period (+48.9), the index points to a marked degree of positive sentiment.
- Respondents also have strong expectations for new order growth over the coming twelve months.
- Firms envisage strong growth in business revenues, supported by rising charges. However, input costs are set to rise at a faster pace, dampening panellists' expectations for profit growth over the year.
- Manufacturers plan to reduce staffing levels slightly over the next twelve months. However, investment plans have been raised, with both capital and R&D expenditure set to rise at accelerated rates.

Comment from panellists:

"Better euro/dollar exchange rate"
Chemicals & Plastics

"Less competition"
Textiles & Clothing

"Raw material supply shortages"
Timber & Paper

"Use of technology and new partners"
Mechanical Engineering

"Delay of payment from customers"
Other Manufacturing

Service Sector (page 23)

- Italian service providers also presented a positive outlook for future activity growth when questioned in June. Nevertheless, the net balance of panellists expecting activity at their units to be higher in one year's time (+42.4) is lower than recorded in the manufacturing sector, and represents a slight deterioration in sentiment since February.
- Positive (albeit weaker) expectations for activity growth mirror Italian service providers' outlooks for new orders and business revenues. Despite posting the most marked cost inflation expectations since October 2008, Italian tertiary sector firms reported the strongest outlook for profits since last autumn.
- Panellists expect broad-based rises in costs over the coming year, including higher service, staff and non-staff costs.
- Cost considerations look set to subdue employment decisions, with expectations for growth of staffing levels remaining relatively subdued.

Comment from panellists:

"Re-acquire clients from US, UK and Germany"
Hotels & Restaurants

"Recovery of optimism that will encourage people to buy again"
Renting & Business Activities

"Tax pressures increasing"
Transport & Storage

"Expansion of services offered"
Financial Intermediation

"More availability and simplicity of public call for tenders"
Renting & Business Activities

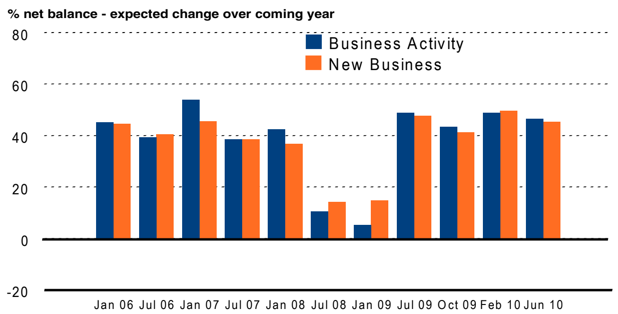
Italy – Manufacturing

Italy Manufacturing Summary

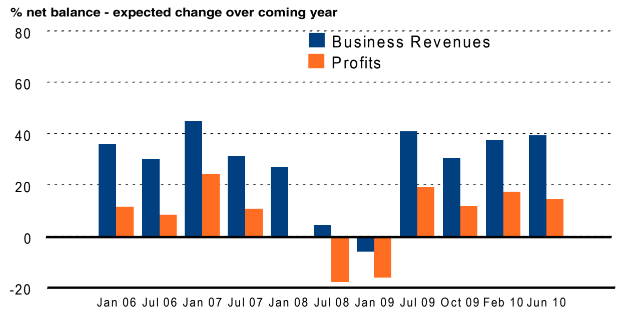
Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)

	Jan-09	Jul-09	Oct-09	Feb-10	Jun-10
Business Activity	+5.2	+48.9	+43.5	+48.9	**+46.5**
Business Revenues	-5.8	+41.0	+30.6	+37.6	**+39.3**
New Orders	+14.8	+47.8	+41.3	+49.7	**+45.4**
Profits	-16.1	+19.1	+11.8	+17.4	**+14.4**
Employment	-35.5	-11.8	-14.8	-3.8	**-2.8**
Capacity Utilization	-4.5	+37.1	+33.3	+36.8	**+34.3**
Capital Expenditure	-23.2	-0.6	+3.3	+9.2	**+15.6**
R&D Expenditure	+1.9	+14.6	+6.1	+11.5	**+18.6**
Input Prices	-16.8	+33.1	+38.8	+52.2	**+53.5**
Output Prices	-9.0	+20.8	+8.2	+19.5	**+39.4**
Inventory: Output Ratio	-26.5	-25.8	-10.9	-6.5	**-12.0**

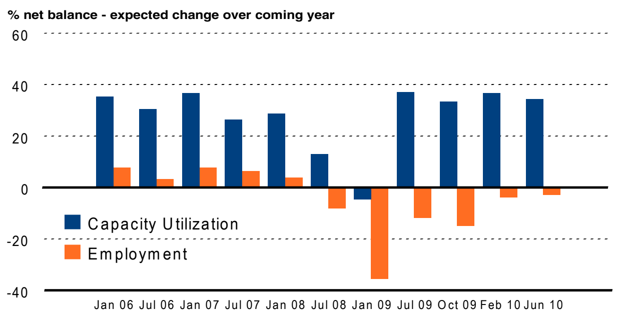
Business Activity / New Orders



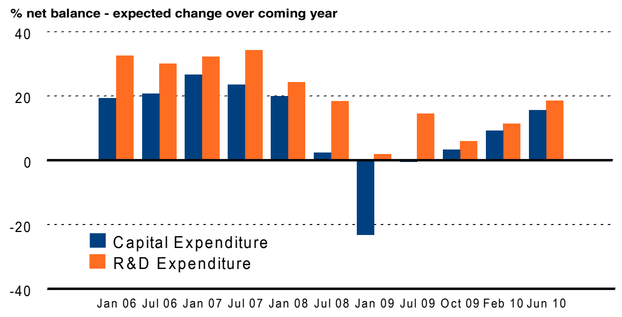
Business Revenues / Profits



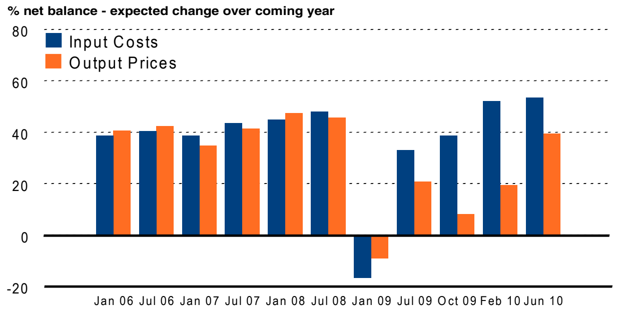
Employment / Capacity Utilization



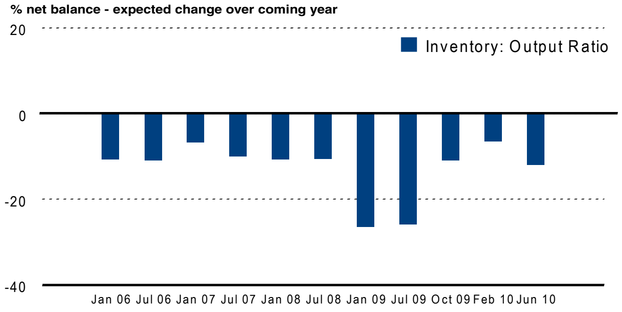
Capital Expenditure / R&D Expenditure



Input / Output Prices



Inventory: Output Ratio



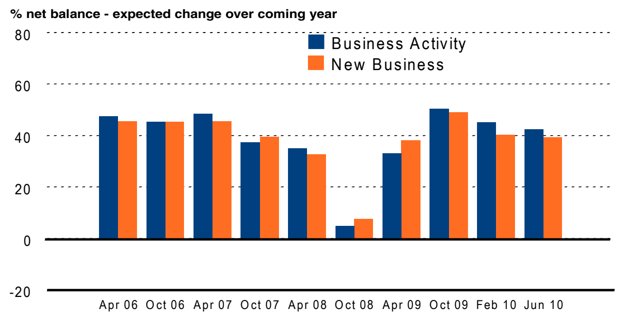
Italy – Services

Italy Services Summary

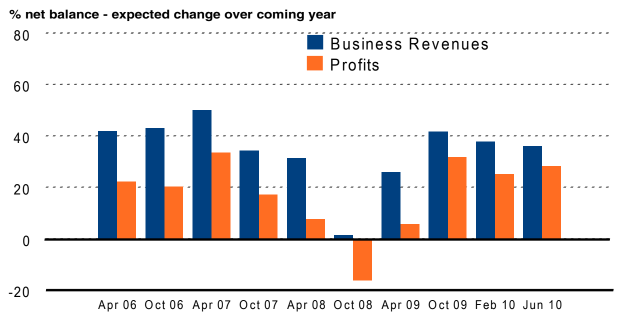
Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)

	Oct-08	Apr-09	Oct-09	Feb-10	Jun-10
Business Activity	+4.9	+33.1	+50.5	+45.1	**+42.4**
Business Revenues	+1.4	+25.9	+41.7	+37.7	**+36.0**
New Orders	+7.7	+38.1	+49.2	+40.3	**+39.3**
Profits	-16.2	+5.8	+31.8	+25.1	**+28.4**
Employment	-7.7	0.0	+11.4	+5.2	**+6.9**
Capital Expenditure	-2.8	-6.5	+6.6	+7.6	**+9.5**
Outsourcing	-9.9	+5.8	+12.6	+3.3	**+6.0**
Input Prices	+31.7	+15.1	+20.9	+20.2	**+28.4**
Output Prices	+14.8	-2.9	+3.9	+6.3	**+6.5**
Staff Costs	+45.1	+36.7	+28.7	+25.6	**+21.9**
Service Costs	+24.6	+6.5	+12.9	+6.8	**+9.9**
Non-Staff Costs	+11.3	-3.6	+4.5	+5.8	**+12.3**

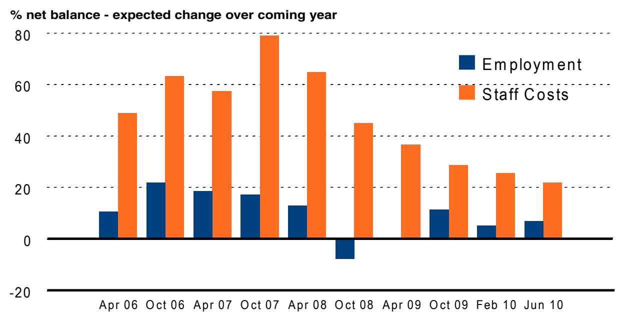
Business Activity / New Orders



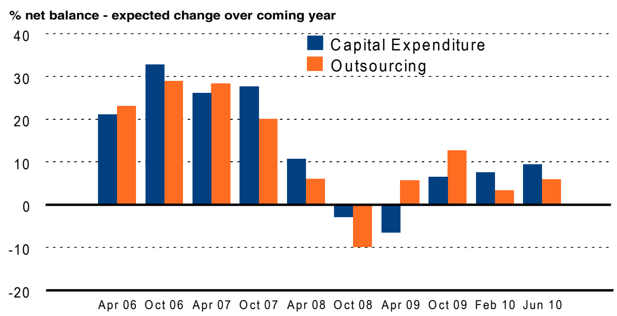
Business Revenues / Profits



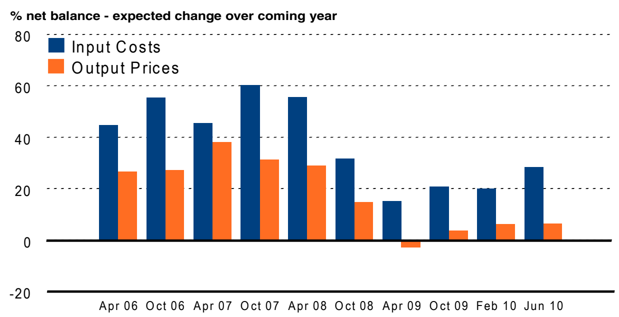
Employment / Staff Costs



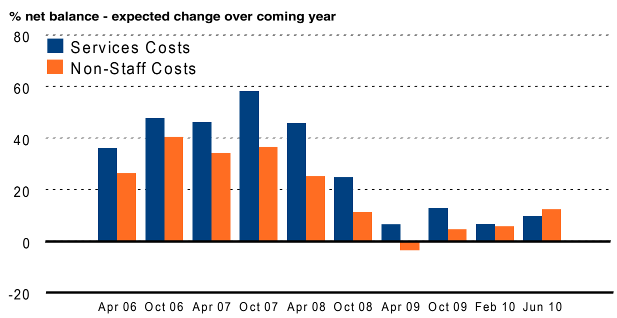
Capital Expenditure / Outsourcing



Input / Output Prices



Service / Non-Staff Costs



Spain

Manufacturing Sector (page 25)

- For the fourth survey period running, Spanish manufacturers are optimistic around the prospects for activity in June. However, at +27.4, the level of positivity is down since February (+36.3), and much weaker than the EU average.
- Manufacturers continue to forecast rises in both revenues and new business over the coming year, although sentiment regarding the latter is down markedly since the previous survey period.
- Employment is predicted to fall further in the Spanish manufacturing sector. Negative expectations have now been recorded in each of the past seven surveys.
- Firms expect only a marginal increase in R&D expenditure, continuing the trend seen over the previous two surveys.
- Input prices are forecast to rise at the sharpest pace in five survey periods. However, firms predict only a slight increase in charges, with the net balance of +6.6 well below the EU average.

Comment from KPMG:

"Sadly, the latest Spanish numbers come as no great surprise to me. They paint a picture of a country having to come to terms with some hefty issues around sovereign debt. Optimism had just about been holding steady until the situation in Greece brought the sovereign debt issue even more strongly to the fore and sent business confidence into retreat. The saving grace for Spain is that it feels as if the worst fears connected to sovereign debt are now starting to recede. We may well have fallen as far as we can – but at least this is now the right place to begin our recovery from.

(Continued below)

Service Sector (page 26)

- Although Spanish services companies expect activity to be higher in twelve months' time, the level of optimism has dropped to the weakest in three survey periods. At +20.8, the net balance is also weaker than the average for the EU as a whole.
- Business revenues are predicted to rise only slightly, with the June reading of +2.5 marking a steep drop in sentiment. Service providers are also less optimistic regarding the prospects for new business than they were in February.
- Spanish services companies expect profits to decrease. This is in contrast to the EU average, where profits are forecast to rise.
- Staffing levels are forecast to fall further over the coming year, extending the current sequence of pessimism to six survey periods. The level of negativity is slightly more marked than seen in February.
- Service providers predict a modest rise in input costs, but output prices are expected to fall further over the coming year.

"The impact of all this can be seen in the investment figures. While businesses in most places around the world profess optimism around capital expenditure, R&D expenditure and employment, virtually all of Spain's indicators in these areas are weakening. On the bright side, the government has now taken firm action on a number of points – making labor laws more flexible, implementing a five percent reduction in public sector pay and freezing pensions – and still intends to raise the retirement age too.

"Additionally, strange as it may sound, Spain's victory in the World Cup might just inspire enough national confidence to have an impact on domestic spend and thus on GDP. Confidence is a fragile thing but it may well be that running this survey again right now might produce a more bullish and confident result."

Hilario Albarracin, Head of Advisory, KPMG in Spain

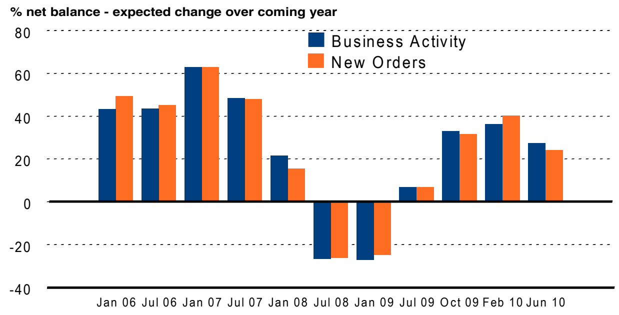
Spain – Manufacturing

Spain Manufacturing Summary

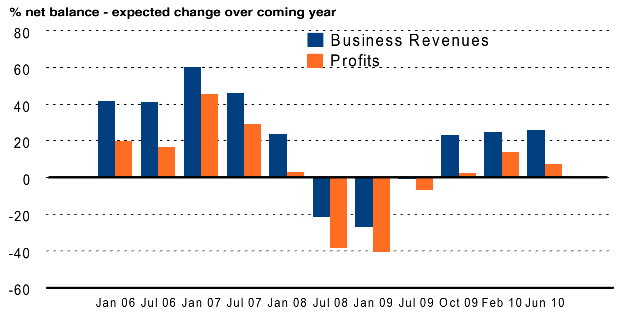
Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)

	Jan-09	Jul-09	Oct-09	Feb-10	Jun-10
Business Activity	-27.0	+7.0	+33.0	+36.3	**+27.4**
Business Revenues	-26.6	-0.5	+23.2	+24.8	**+25.8**
New Orders	-24.8	+7.0	+31.7	+40.2	**+24.2**
Profits	-40.5	-6.5	+2.3	+13.9	**+7.2**
Employment	-44.6	-23.4	-17.0	-10.0	**-11.6**
Capacity Utilization	-23.0	-1.9	+16.6	+26.2	**+20.8**
Capital Expenditure	-11.7	+0.5	+0.9	+6.1	**+12.1**
R&D Expenditure	-14.9	-4.2	+8.2	+6.1	**+2.5**
Input Prices	-30.2	+3.7	+17.0	+31.2	**+41.4**
Output Prices	-28.8	-9.3	0.0	+2.8	**+6.6**
Inventory: Output Ratio	-23.0	-23.4	-24.1	-14.9	**-16.2**

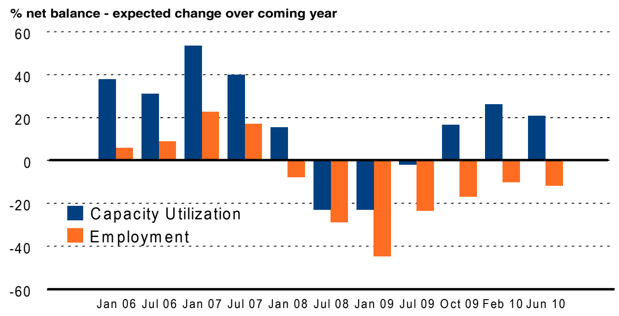
Business Activity / New Orders



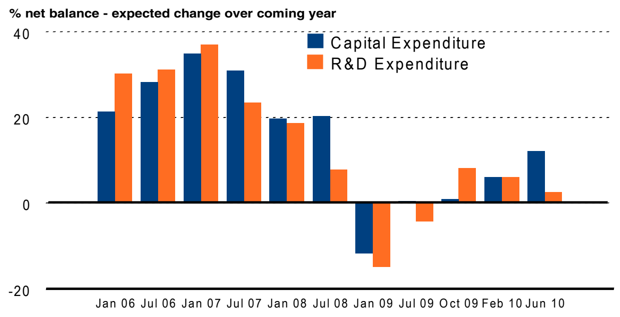
Business Revenues / Profits



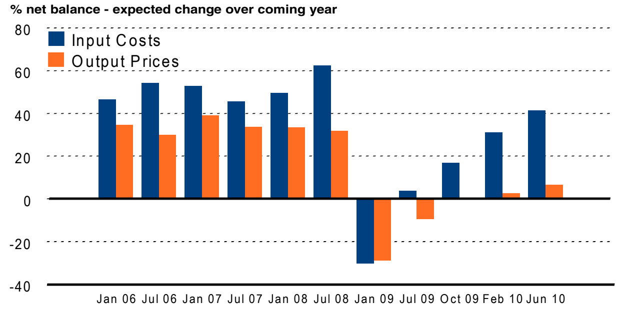
Employment / Capacity Utilization



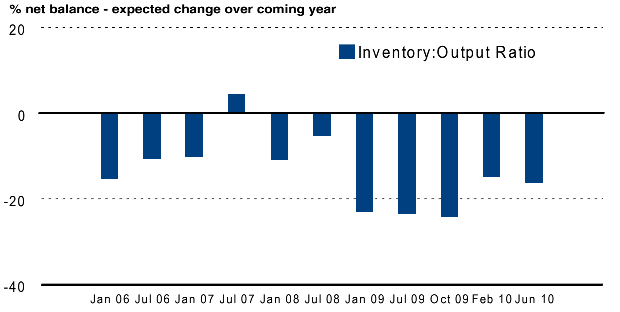
Capital Expenditure / R&D Expenditure



Input / Output Prices



Inventory: Output Ratio



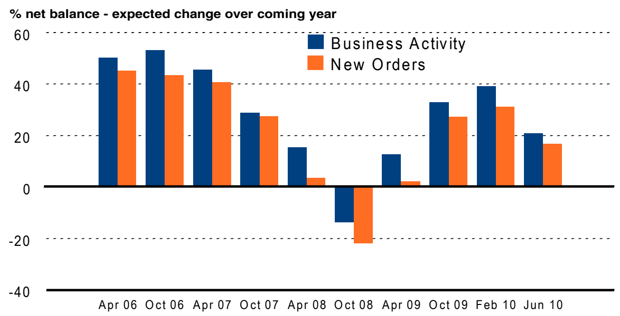
Spain – Services

Spain Services Summary

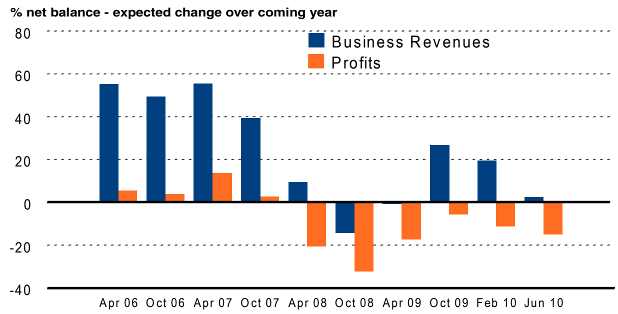
Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)

	Oct-08	Apr-09	Oct-09	Feb-10	Jun-10
Business Activity	-13.7	+12.6	+33.0	+39.3	**+20.8**
Business Revenues	-14.2	-0.6	+26.8	+19.7	**+2.5**
New Orders	-21.9	+2.3	+27.4	+31.2	**+16.8**
Profits	-32.2	-17.2	-5.5	-11.1	**-15.0**
Employment	-26.2	-17.2	-5.3	-6.3	**-8.3**
Capital Expenditure	-15.8	-14.4	-10.2	-9.4	**-15.2**
Outsourcing	-4.9	-12.1	-8.0	-4.2	**-8.1**
Input Prices	+23.5	-14.9	+5.0	+14.2	**+13.5**
Output Prices	+4.4	-15.5	-5.9	-8.4	**-4.2**
Staff Costs	+43.7	+9.8	+18.2	+20.5	**+10.8**
Service Costs	+19.7	-20.1	-6.5	-3.2	**-1.2**
Non-Staff Costs	+24.6	-20.7	-10.3	+2.6	**-4.2**

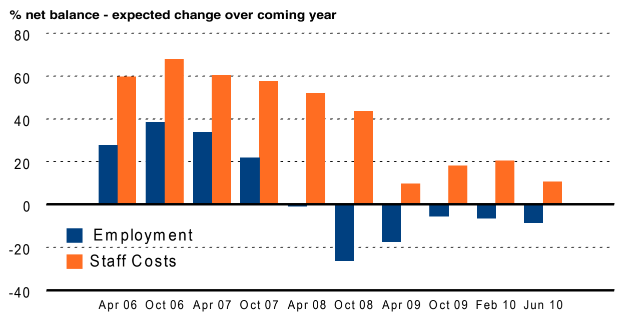
Business Activity / New Orders



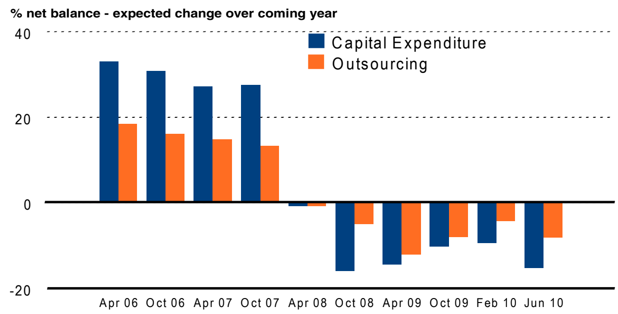
Business Revenues / Profits



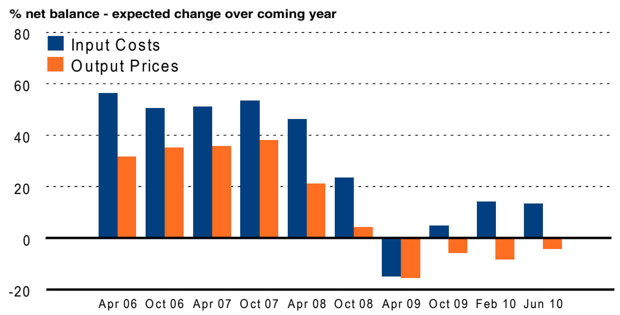
Employment / Staff Costs



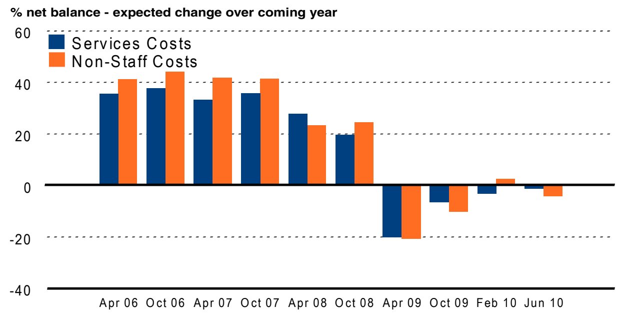
Capital Expenditure / Outsourcing



Input / Output Prices



Service / Non-Staff Costs



Ireland

Manufacturing Sector (page 28)

- Sentiment regarding future activity levels improves for the fourth successive survey to the strongest since January 2007. At +45.2, the net balance is in line with the EU average.
- New business is also forecast to rise over the coming year, with the level of optimism the highest in eight survey periods.
- Higher profits are predicted for the third consecutive survey, with the net balance of +21.4 broadly similar to that seen across the EU as a whole.
- For the first time since July 2007, Irish manufacturers expect to increase employment over the next twelve months. That said, the forecast rise is only marginal.
- Spending on both capital and R&D is predicted to increase slightly.
- Input cost inflation is expected to be strong, while output prices are forecast to increase for the first time since July 2008.

Comment from KPMG:

"Confidence in a local recovery is, in part, founded on the completed transfer of the largest property loans from banks to the National Asset Management Agency which has provided some increased liquidity to support targeted lending by the banks to the SME sector. In addition, the government's announcement of a €500m fund to support innovation has also been positively received while signs that exchequer tax receipts are now stabilising (albeit at levels considerably below those of 2008) are serving to remove uncertainty and cause a gradual and cautious improvement in consumer sentiment.

"The expectation that employment will increase, albeit marginally, over the next 12 months is most heartening. It corroborates the belief that Irish business has effectively responded to the challenges of the global and local recession by taking the difficult steps required over the last 24 months and that they are now poised to benefit from those actions. (Continued below)

Service Sector (page 29)

- June data indicate that Irish service providers expect a strong rise in activity over the next twelve months, with the net balance of +47.9 the strongest in the EU.
- Revenues and new business are also predicted to increase strongly, while profits in Ireland are forecast to grow more quickly than across the EU as a whole.
- For the second consecutive survey, job creation is expected, with optimism improving to the strongest since October 2007.
- Although input costs are predicted to rise, the rate of inflation at Irish service providers is expected to be the weakest of all the monitored EU nations. Charges are forecast to keep falling, extending the current sequence of negative expectations to five surveys.
- Capital expenditure is predicted to decrease again over the coming year, albeit to the least extent in the current six-survey sequence of decline.

"Improving service sector optimism is founded on the improving global outlook and increased confidence that the Irish economy and Irish businesses have responded well to the challenges brought about by the downturn. That output prices are expected to continue falling reflects an across-the-board commitment to maintaining and improving Ireland's competitiveness. Reduced competitiveness was at the core of many of Ireland's problems over the past 24 months and this is increasingly being accepted across both the private and public sectors. The recent agreement by the public sector unions to a wide-ranging pay and transformation programme underscores this commitment. Alongside equivalent measures in the private sector, this is seen as an important catalyst for a return to sustainable growth."

David Kennedy, Head of Advisory, KPMG in Ireland

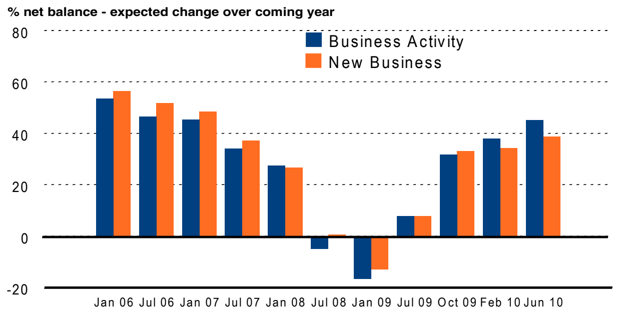
Ireland – Manufacturing

Ireland Manufacturing Summary

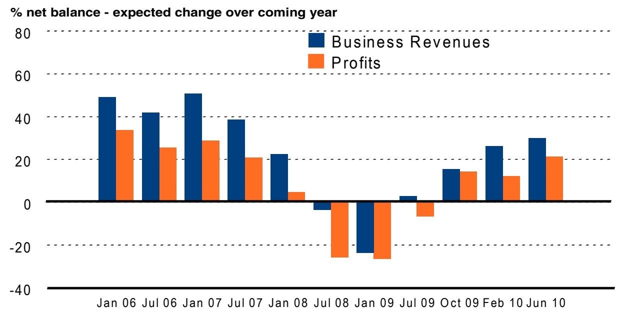
Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)

	Jan-09	Jul-09	Oct-09	Feb-10	Jun-10
Business Activity	-16.7	+7.8	+31.8	+38.0	**+45.2**
Business Revenues	-23.5	+2.8	+15.6	+26.3	**+30.2**
New Orders	-12.9	+7.8	+33.1	+34.3	**+38.9**
Profits	-26.5	-6.4	+14.3	+12.4	**+21.4**
Employment	-33.3	-14.2	-17.5	-9.5	**+2.4**
Capacity Utilization	-3.8	+5.0	+21.4	+24.8	**+28.6**
Capital Expenditure	-39.4	-27.0	-18.2	-10.9	**+6.3**
R&D Expenditure	-11.4	-14.2	-5.8	+2.2	**+7.9**
Input Prices	-40.2	-22.0	-4.5	+0.7	**+30.2**
Output Prices	-43.2	-38.3	-15.6	-16.1	**+4.8**
Inventory: Output Ratio	-28.8	-20.6	-25.3	-12.4	**-9.5**

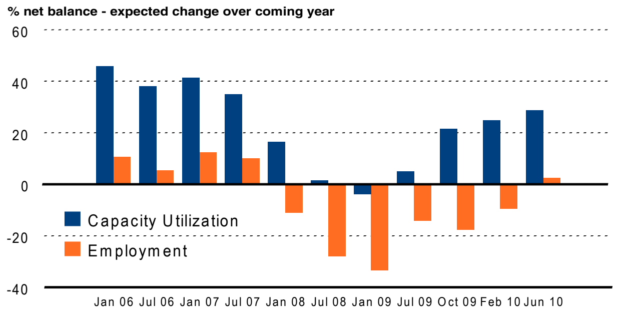
Business Activity / New Orders



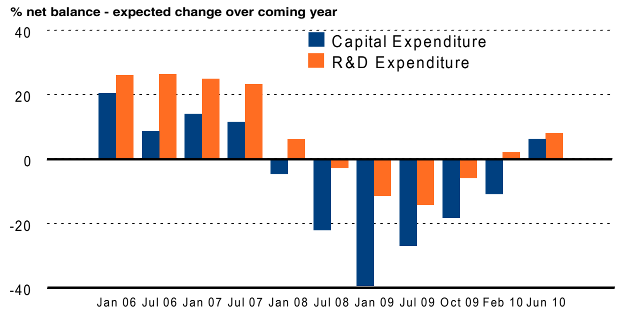
Business Revenues / Profits



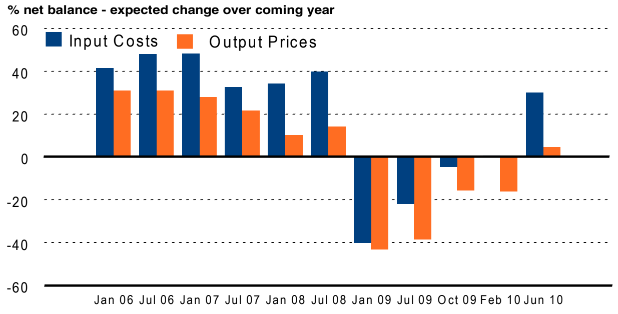
Employment / Capacity Utilization



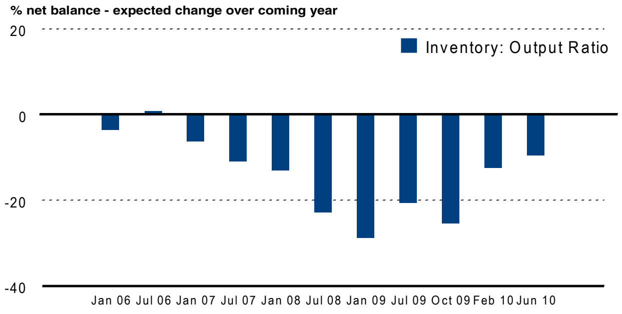
Capital Expenditure / R&D Expenditure



Input / Output Prices



Inventory: Output Ratio



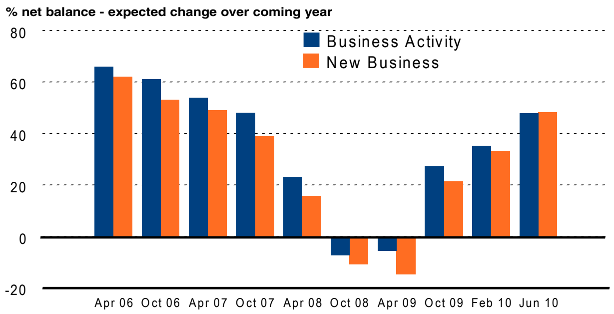
Ireland – Services

Ireland Services Summary

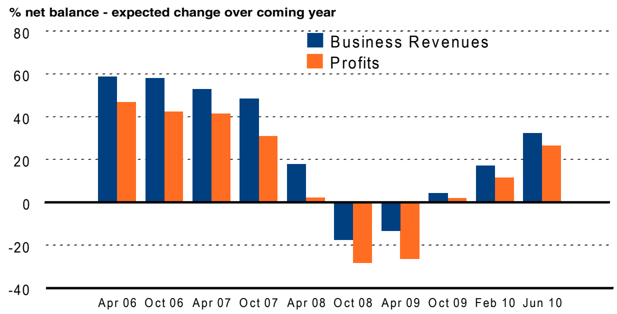
Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)

	Oct-08	Apr-09	Oct-09	Feb-10	Jun-10
Business Activity	-7.3	-5.6	+27.3	+35.2	**+47.9**
Business Revenues	-17.5	-13.2	+4.4	+17.3	**+32.4**
New Orders	-10.7	-14.6	+21.3	+33.1	**+48.3**
Profits	-28.2	-26.4	+2.0	+11.5	**+26.5**
Employment	-26.5	-27.8	-5.6	+6.3	**+16.8**
Capital Expenditure	-45.7	-43.8	-17.5	-15.4	**-7.6**
Outsourcing	-10.7	-13.9	-2.4	+6.7	**0.0**
Input Prices	+9.8	-24.3	-10.6	-11.0	**+6.3**
Output Prices	-6.8	-34.0	-22.6	-16.7	**-4.6**
Staff Costs	+11.5	-31.3	-13.1	-7.9	**+4.2**
Service Costs	-9.0	-26.4	-26.7	-12.0	**-11.8**
Non-Staff Costs	+5.1	-30.6	-21.7	-19.3	**-10.1**

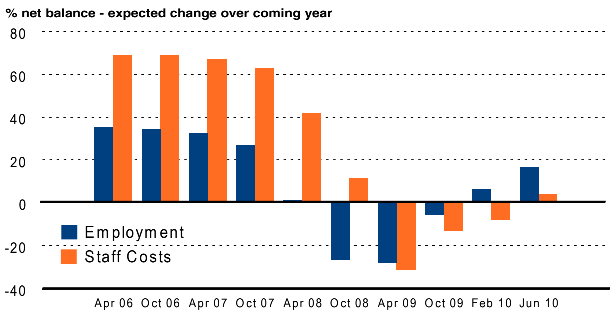
Business Activity / New Orders



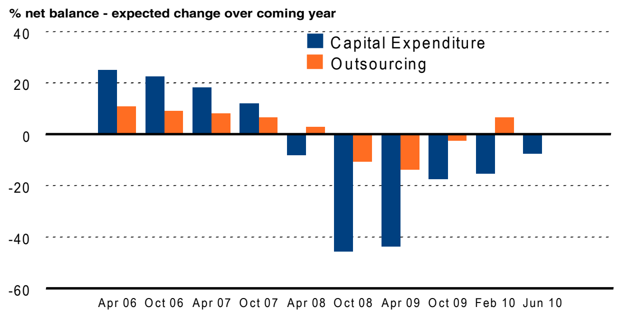
Business Revenues / Profits



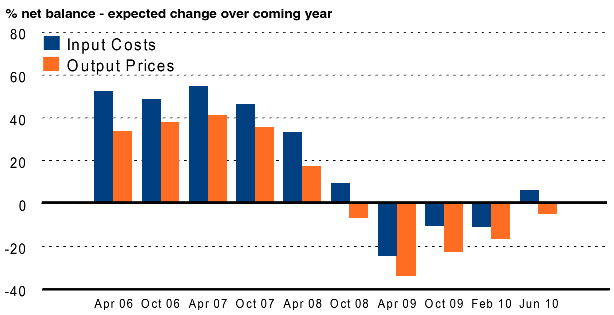
Employment / Staff Costs



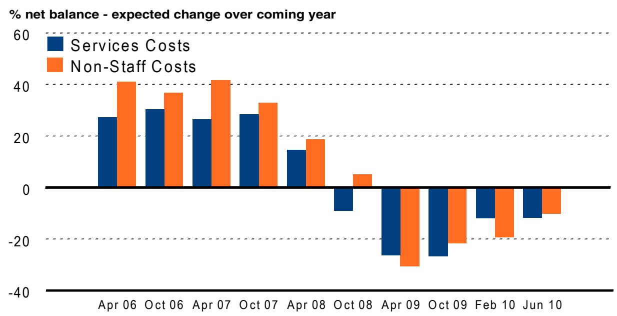
Capital Expenditure / Outsourcing



Input / Output Prices



Service / Non-Staff Costs



Austria – Manufacturing

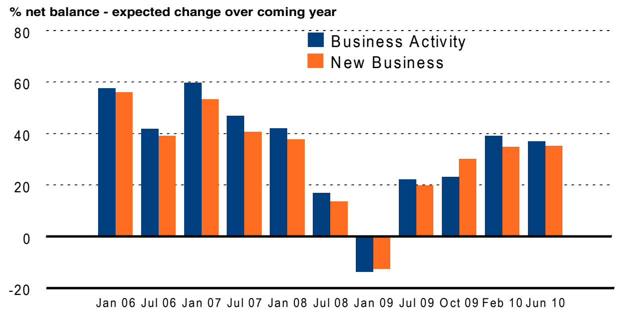
- June data points to further optimism regarding the prospects for activity over the next twelve months. Positivity has been recorded in each of the past four survey periods.
- The business revenues net balance rises to +34.8 in June, its highest level since January 2008. New orders are also forecast to increase, with the level of sentiment broadly similar to that seen in the previous survey period.
- For the first time since January 2008, Austrian manufacturers expect employment to rise. Moreover, the net balance of +21.6 is the second-highest in the EU.
- Input costs are forecast to rise sharply over the coming year, but the rate of output price inflation is predicted to be much more modest.

Austria Manufacturing Summary

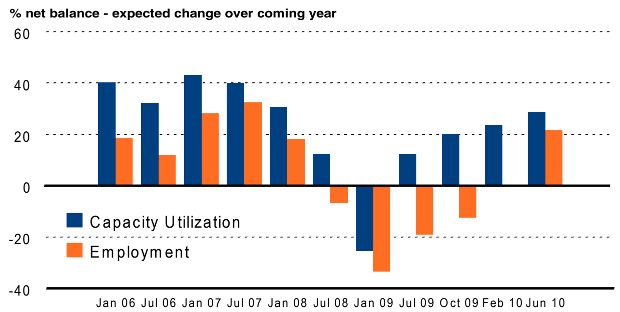
Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)

	Jul-09	Oct-09	Feb-10	Jun-10
Business Activity	+22.1	+23.3	+39.0	**+37.1**
Business Revenues	+18.3	+19.4	+30.3	**+34.8**
New Orders	+19.8	+30.2	+35.0	**+35.3**
Profits	-9.9	+4.7	-5.7	**+10.4**
Employment	-19.1	-12.4	0.0	**+21.6**
Capacity Utilization	+12.2	+20.2	+23.6	**+28.7**
Capital Expenditure	-23.7	-16.3	-13.8	**-6.9**
R&D Expenditure	-22.9	-7.8	-4.1	**+4.3**
Input Prices	-16.8	+3.1	+30.9	**+57.8**
Output Prices	-21.4	-14.7	-8.9	**+11.3**
Inventory: Output Ratio	-24.4	-17.8	-17.9	**-16.4**

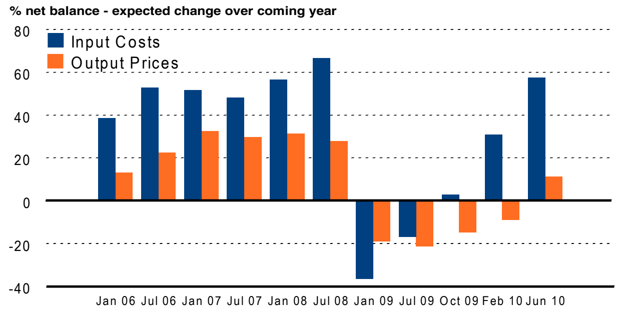
Business Activity / New Orders



Employment / Capacity Utilization



Input / Output Prices



Comment from KPMG:

"The latest Austrian figures point towards a sustainable economic upturn through 2010 and 2011 after what was a pretty significant downturn in 2009. Levels of public debt – which recently escalated rapidly – remain a major concern but government action has now been taken with a view to bringing this under control in 2011.

"Within manufacturing, the sector has been on a recovery path since early 2010 and employment levels have now stabilised with increased part-time working making a positive contribution to relatively even employment figures. In addition, many companies have taken every opportunity to reduce overtime and vacation entitlements, allowing them to keep staff numbers as constant as possible.

"After confidence around business activity and new orders improved in the last survey, now it is the turn of revenues to follow suit. Optimism around profits is more muted however, with manufacturers still confronted by challenges to their margins with input prices expected to grow at a higher pace than output prices.

"As a whole, these figures lead me to conclude that the economy has managed to overcome the financial and economic crisis of the last year or two – but some critical issues still have to be solved. There are strong parallels between the development paths exhibited by both Austria and Germany, with both expected to out-perform the Euro zone in the near future. While certain individual sectors inevitably lag somewhat behind the overall recovery rate, I nevertheless believe the outlook for the Austrian economy to be positive."

Dr Jens Kaden, Head of Advisory, KPMG in Vienna

Netherlands – Manufacturing

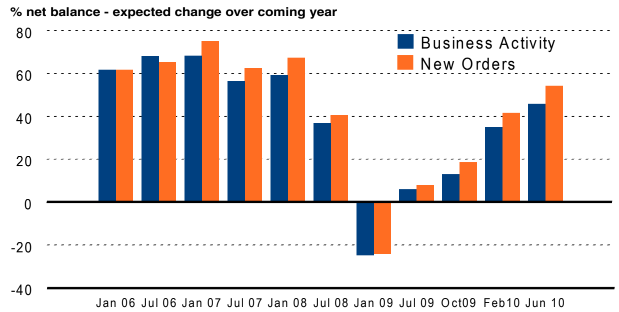
- Latest survey data point to improved positive sentiment amongst Dutch manufacturers regarding future business prospects.
- June's output net balance is +45.7, up from +35.0 in February, signaling a robust expansion of activity in the coming year.
- Optimism about manufacturing output is underpinned by expectations of strong new order growth. Consequently, revenues are set to increase at a faster pace than was predicted in February.
- Spending on research & development (+19.8) is on course to grow at a sharper rate than capital expenditure (+10.2).
- Input costs are expected to rise strongly during the coming year (+54.3), and at a faster pace than output charges (+19.8).

Netherlands Manufacturing Summary

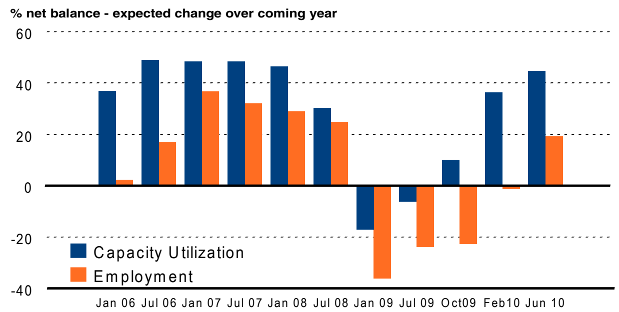
Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)

	Jul-09	Oct-09	Feb-10	Jun-10
Business Activity	+6.1	+13.0	+35.0	**+45.7**
Business Revenues	+1.5	+11.9	+35.8	**+49.2**
New Orders	+8.1	+18.6	+41.7	**+54.3**
Profits	-0.5	+11.3	+24.5	**+33.5**
Employment	-23.9	-22.5	-1.2	**+19.0**
Capacity Utilization	-6.1	+10.1	+36.4	**+44.7**
Capital Expenditure	-29.9	-20.3	-1.2	**+10.2**
R&D Expenditure	-2.0	-6.3	+11.0	**+19.8**
Input Prices	-0.5	+12.5	+34.0	**+54.3**
Output Prices	-14.2	+1.3	+0.0	**+19.8**
Inventory: Output Ratio	-14.7	-28.0	-11.7	**-7.4**

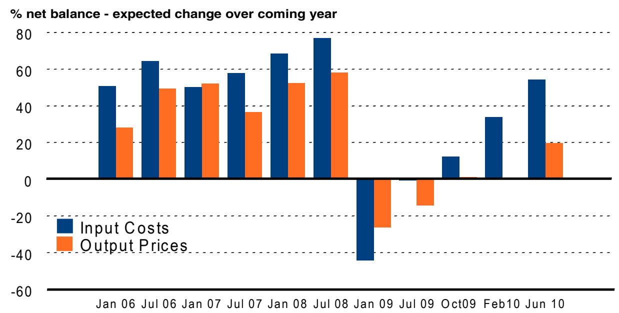
Business Activity / New Orders



Employment / Capacity Utilization



Input / Output Prices



Comment from KPMG:

"Business confidence in the Netherlands is booming and it is easy to understand why. It had been hoped that the summer of 2010 would see growth back at a level last seen in the summer of 2008. It appears that this will be achieved – and this naturally instils further confidence. Admittedly, a feature of the recession was the destocking of manufacturing inventories, meaning that increased activity is guaranteed as many businesses are now starting to build stocks up again from scratch. However, exports are already up and certain sectors such as chemicals and industrial manufacturing are exhibiting rapid growth rates.

"Some of the confidence can be attributed to a ripple effect of the German recovery as our fortunes are inextricably linked. Admittedly, worries persist about what is happening with some of our other European neighbours like Spain and Greece but these worries so far appear insufficient to have knocked us off track. Unemployment figures are dropping for the first time in two years and although capital expenditure did dip somewhat recently, these latest survey figures provide encouragement that this may well have been just a temporary blip."

William Koot, partner with Advisory, KPMG in the Netherlands

Greece – Manufacturing

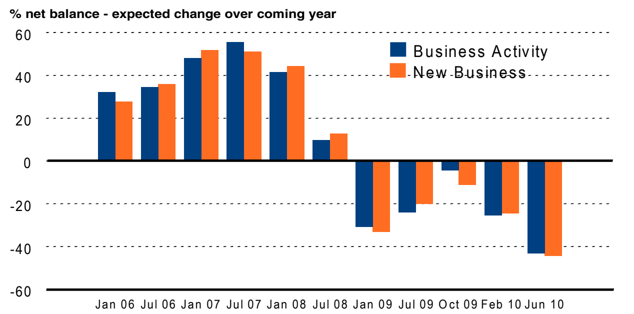
- Pessimism about future business conditions is widespread amongst Greek manufacturers.
- Net balances for output (-43.0), new orders (-44.2), revenues (-44.0) and profits (-53.9) are all at series record lows.
- Employment is forecast to decline steeply during the next twelve months (-45.7).
- Companies predict further a further reduction in their output charges, although to a slightly lesser extent than was the case in February.
- Expectations for input cost inflation have risen to their highest since the survey began in January 2006 (+29.5), but remained well below the EU average.
- Greek manufacturers foresee declines in spending on both capital equipment and R&D.

Greece Manufacturing Summary

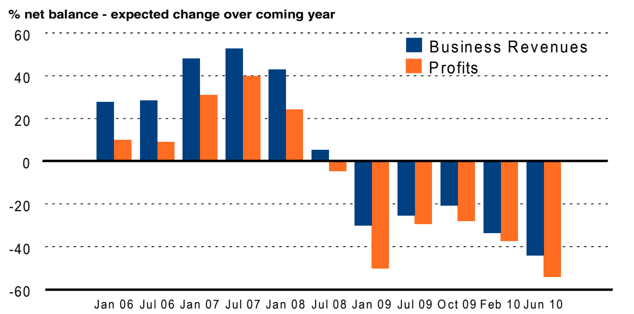
Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)

	Jul-09	Oct-09	Feb-10	Jun-10
Business Activity	-23.8	-4.2	-25.2	**-43.0**
Business Revenues	-25.4	-20.7	-33.3	**-44.0**
New Orders	-20.0	-10.9	-24.3	**-44.2**
Profits	-29.2	-27.8	-37.2	**-53.9**
Employment	-20.0	-18.6	-24.1	**-45.7**
Capacity Utilization	+3.8	-3.4	-11.2	**-10.2**
Capital Expenditure	-10.8	-1.7	-17.2	**-20.3**
R&D Expenditure	-16.9	-5.2	-7.9	**-29.6**
Input Prices	+3.8	+21.2	+12.2	**+29.5**
Output Prices	-10.8	+1.7	-19.0	**-17.1**
Inventory: Output Ratio	-13.8	-17.4	-22.6	**-14.1**

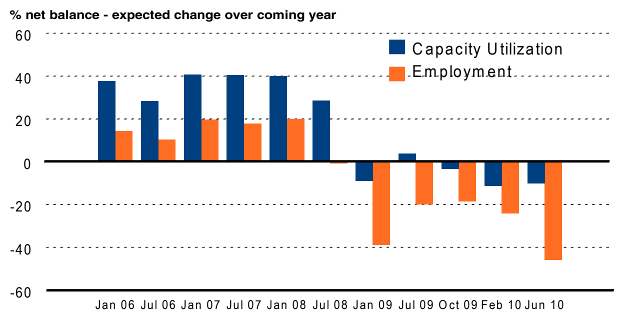
Business Activity / New Orders



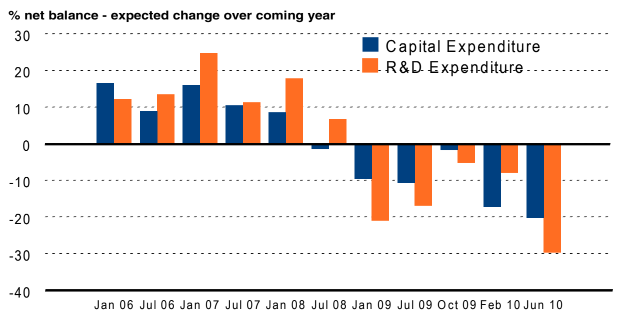
Business Revenues / Profits



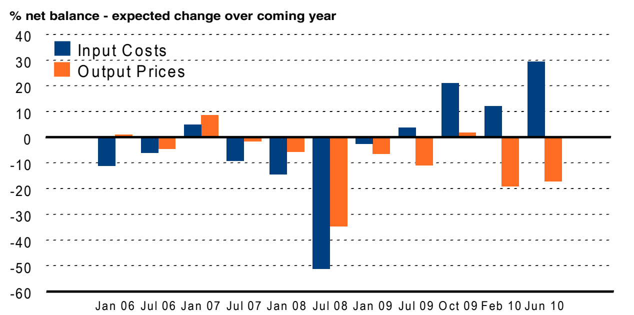
Employment / Capacity Utilization



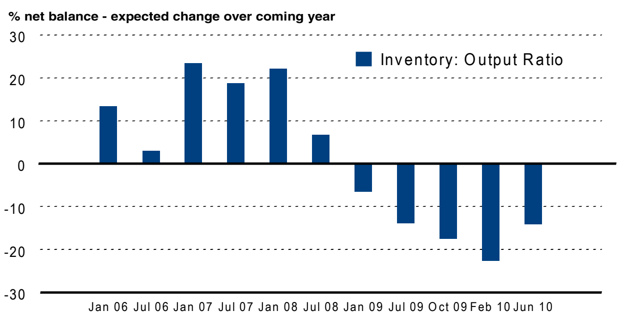
Capital Expenditure / R&D Expenditure



Input / Output Prices



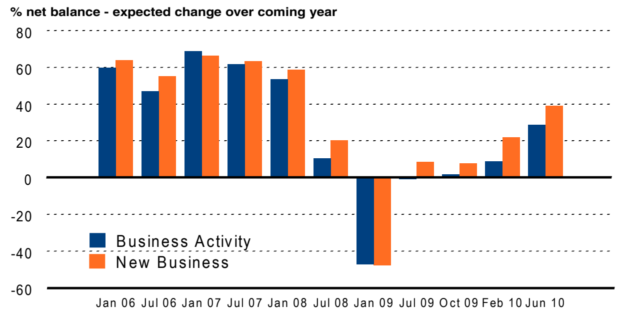
Inventory: Output Ratio



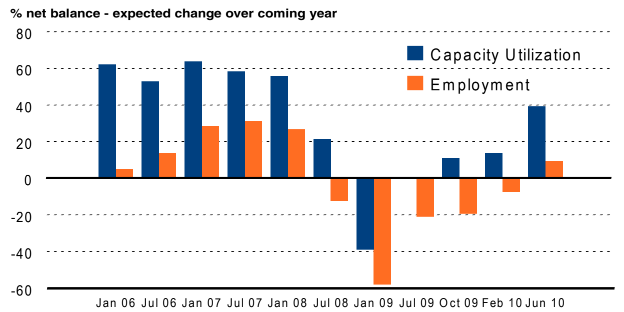
Czech Republic – Manufacturing

- Czech manufacturers are modestly optimistic in their expectations for output over the next twelve months. The net balance has improved to +28.7, the highest figure since January 2008 (+53.6). The business revenues net balance has turned positive for the first time since January 2008 (+21.1).
- Profits are forecast to rise (+5.8.), as are capital (+7.6) and R&D (+1.2) spending.
- Czech manufacturers are also optimistic regarding the outlook for employment at their units over the next twelve months, with the net balance rising from -7.5 to +9.4.
- Inflation expectations have risen since the previous survey, with the input prices net balance advancing to +49.1, from +16.3. The net balance for output prices has turned positive, at +17.0 (-6.3 previously).

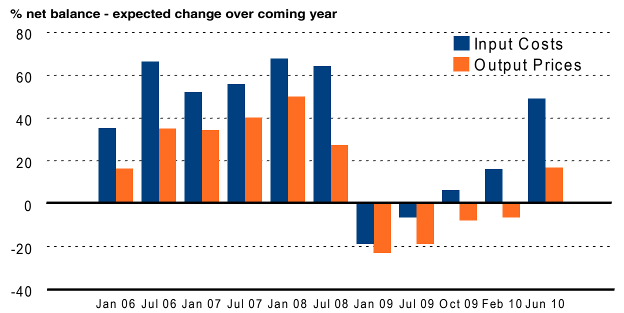
Business Activity / New Orders



Employment / Capacity Utilization



Input / Output Price Inflation



Czech Republic Manufacturing Summary

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

	Jul-09	Oct-09	Feb-10	Jun-10
Business Activity	-0.7	+1.8	+8.9	**+28.7**
Business Revenues	-12.9	-7.9	-2.5	**+21.1**
New Orders	+8.6	+7.8	+22.0	**+39.2**
Profits	-18.7	-19.6	-3.2	**+5.8**
Employment	-20.9	-19.3	-7.5	**+9.4**
Capacity Utilization	+0.7	+10.8	+13.9	**+39.2**
Capital Expenditure	-31.7	-21.0	0.0	**+7.6**
R&D Expenditure	-17.3	-6.0	-3.2	**+1.2**
Input Prices	-6.5	+6.6	+16.3	**+49.1**
Output Prices	-18.7	-7.8	-6.3	**+17.0**
Inventory: Output Ratio	-0.7	-9.0	-14.4	**-11.1**

Comment from KPMG:

“The people of the Czech Republic have always been inherently cautious and conservative; something which helps explain why the optimism figures within this survey are never quite as strong as elsewhere. That’s certainly true of the latest survey figures as we are only now seeing some of the indicators returning to positive territory. The key thing here though is the steadily upward trend as this indicates a sustained but gradual recovery.

“There is actually much for the Czech Republic to be happy about. Our national debt is quite manageable but the new, pro-business government appears intent on bringing it down still further anyway. In addition, exporters have received a timely boost with Germany – our key export market – showing signs of a return to health. On top of all that, businesses appear to be hiring again and it doesn’t feel like this is just a short-term seasonal upturn. Our dependence on other European markets where sovereign debt remains an issue and the lingering fears of a double dip recession mean we’re not completely free of trouble – but there are certainly reasons to be cheerful.”

Alex Verbeek, Head of Advisory, KPMG in the Czech Republic

Poland – Manufacturing

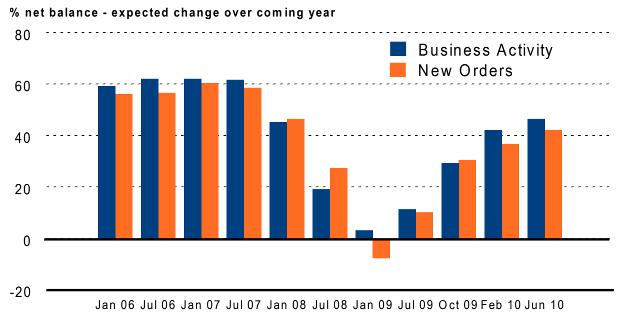
- The production outlook is the most positive since July 2007, as signaled by the net balance improving to +46.5, from +42.1 in February.
- Net balances for business revenues and new orders are both at their highest since January 2008.
- Input price expectations have risen sharply. The net balance of +49.3 is the second-highest since the series began in January 2006.
- Despite higher input prices, profits are forecast to rise to a greater extent than in the previous outlook period (+26.8). This reflects stronger net balances for output prices, capacity utilization and revenues.
- The employment net balance remains positive for the third straight outlook period, rising to +18.3.

Poland Manufacturing Summary

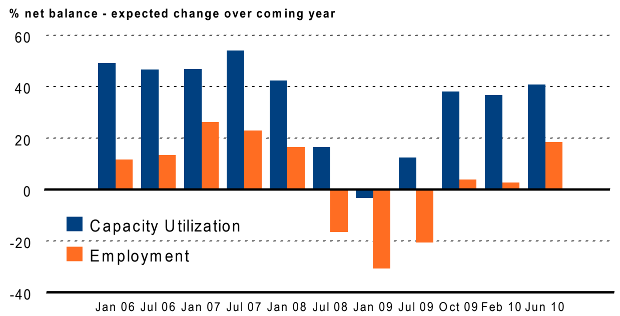
Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)

	Jul-09	Oct-09	Feb-10	Jun-10
Business Activity	+11.4	+29.1	+42.1	**+46.5**
Business Revenues	-1.1	+16.5	+26.3	**+36.6**
New Orders	+10.2	+30.4	+36.8	**+42.3**
Profits	0.0	+12.7	+19.7	**+26.8**
Employment	-20.5	+3.8	+2.6	**+18.3**
Capacity Utilization	+12.5	+38.0	+36.8	**+40.8**
Capital Expenditure	-21.6	+8.9	+9.2	**+23.9**
R&D Expenditure	-3.4	+8.9	+14.5	**+26.8**
Input Prices	+4.5	+22.8	+23.7	**+49.3**
Output Prices	-10.2	+16.5	+9.2	**+26.8**
Inventory: Output Ratio	-6.8	-3.8	-9.2	**0.0**

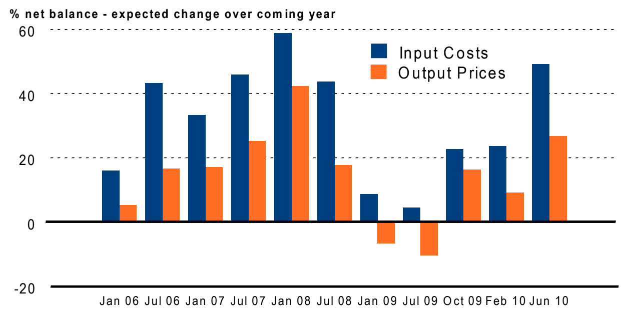
Business Activity / New Orders



Employment / Capacity Utilization



Input / Output Price Inflation



Comment from KPMG:

"Across Poland, there seems to be an upswing in positive sentiment, providing a feeling that we are heading in the right direction. In all fairness, Poland had a "good" recession, if such a thing is possible. GDP was maintained while fortuitous timing saw our currency devalued just in time to boost exports as the financial crisis hit.

"Despite this, a form of national pessimism still crept in over the past year or so. Manufacturing slowed down and there was uncertainty over the economic tribulations of Germany, our key trading partner. That pessimism and uncertainty combined to suppress domestic demand. Thankfully, we seem to be emerging from that now. Polish confidence has returned, consumers are spending and the airports are full of holidaying Poles again. There is a wide-held belief that Germany is recovering and as our economy tends to lag the German economy by six months, that provides further grounds for optimism.

"That confidence can be seen in the fact that more businesses are now thinking about recruitment again. This is not businesses simply re-hiring staff they laid off during the crisis either. Nothing really happened during the crisis to prompt massive job lay-offs and, in fact, Polish employers did everything they could – and waited as long as they could – before making any redundancies. Therefore, any jobs being created now are indicative of a return to a growth agenda."

Leszek Wronski, Head of Advisory, KPMG in Poland

Brazil

Manufacturing Sector (page 36)

- Brazilian manufacturers remain highly optimistic about business prospects for the year ahead.
- Net balances for output (+77.1), new orders (+76.0), revenues (+75.8), and profits (+70.1) all suggest that these variables will rise sharply in the next twelve months. However, all four of these balances are at their lowest since July 2009.
- With workloads expected to grow, manufacturers foresee substantial increases in both their capacity utilization rate and employment levels.
- Although both capital and R&D expenditure are forecast to grow more slowly in the coming year than expected in February, these are still set to rise markedly, with respective net balances of +66.0 and +67.2.
- Exactly 72% of panel members anticipate input price inflation during the proceeding year, against just 1.5% that predict a fall in costs.
- With a net balance of +67.2, output prices are set to rise slightly more slowly than input costs (+70.5).

Service Sector (page 37)

- Service providers are noticeably less confident about business conditions in the coming year than they were in February.
- Much lower than their manufacturing equivalents, net balances for services activity (+50.2), new business (+49.2), revenues (+49.6) and profits (+45.8) are all at their lowest levels since October 2008.
- In line with predictions for activity and profit levels, survey participants anticipate much slower growth in employment, outsourcing and capital spending than was the case in February.
- Companies also expect a weaker increase in their charges over the coming twelve months. This is shown by the output prices net balance, which fell sharply from +56.7 in the previous survey period to +39.1 in June.
- Input prices are forecast to increase at a broadly similar rate to charges, with staff costs expected to form the largest component in input cost inflation.

Comment from KPMG:

"The soaring optimism which we saw across both services and manufacturing in the previous two surveys eventually translated into a 9 percent growth in GDP in the first quarter of 2010. Therefore, even though the Brazilian optimism figures have now dipped back somewhat, this is hardly a cause for concern. As with some of our BRIC counterparts, moves have now been enacted to cool the economy down as fears over inflation start to grow. The government and Central Bank will be keen to keep this in check yet even the currently more subdued GDP growth forecast of 6-7 percent would – if it became a reality – represent an incredible achievement for a country of Brazil's size.

(Continued below)

"It's not unreasonable to assume therefore that the fall in confidence can be directly attributed to the political desire to balance growth and inflation. However, we also cannot ignore the nervousness caused by the sight of key markets in Europe, especially Spain and Portugal, struggling to cope with their fiscal deficits. Plus, on top of all this, we are now only three months away from the Brazilian presidential elections – and this is typically something which prompts domestic businesses to think and act a bit more cautiously."

Oscar Caipo, Head of Advisory,
KPMG's Latin America region

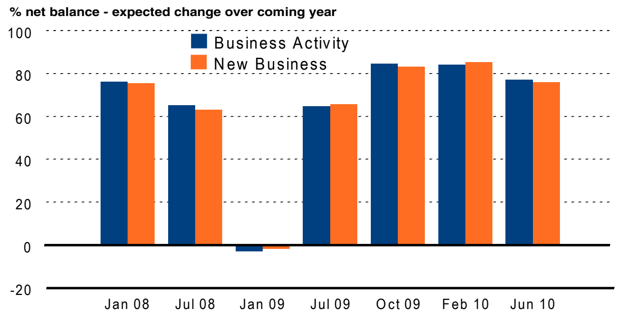
Brazil – Manufacturing

Brazil Manufacturing Summary

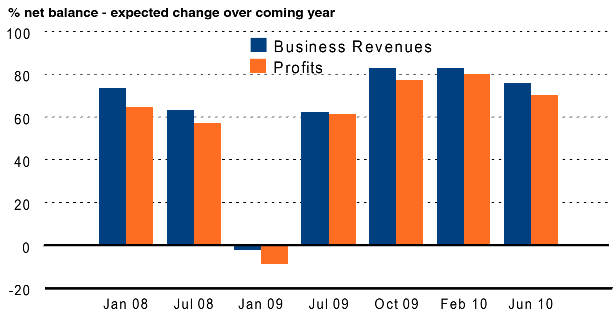
Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)

	Jan-09	Jul-09	Oct-09	Feb-10	Jun-10
Business Activity	-3.0	+64.9	+84.6	+84.2	**+77.1**
Business Revenues	-2.2	+62.4	+82.8	+82.9	**+75.8**
New Orders	-1.9	+65.9	+83.3	+85.3	**+76.0**
Profits	-8.6	+61.5	+77.0	+80.1	**+70.1**
Employment	-11.5	+45.9	+69.1	+76.8	**+70.2**
Capacity Utilization	-6.7	+54.1	+73.9	+81.4	**+70.2**
Capital Expenditure	-5.2	+45.9	+65.7	+72.9	**+66.0**
R&D Expenditure	-4.8	+45.9	+55.9	+72.2	**+67.2**
Input Prices	-0.4	+44.4	+61.8	+73.4	**+70.5**
Output Prices	-2.2	+45.9	+58.9	+73.4	**+67.2**
Inventory: Output Ratio	-11.9	+34.1	+52.7	+63.6	**+63.0**

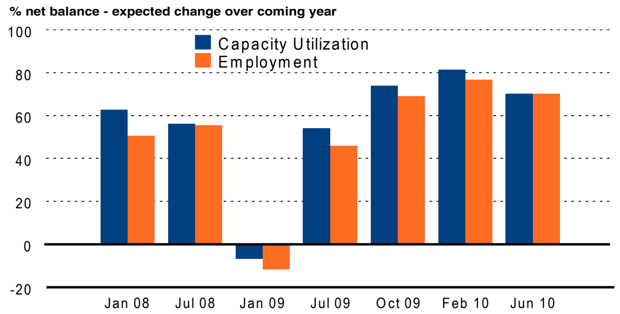
Business Activity / New Orders



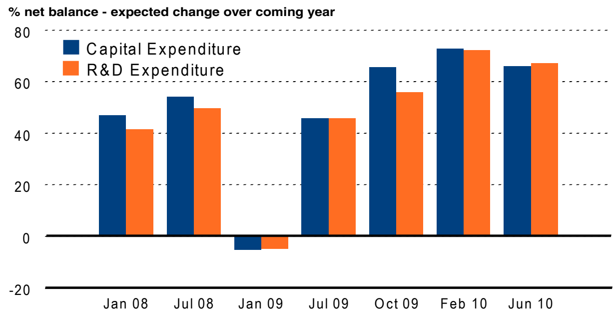
Business Revenues / Profits



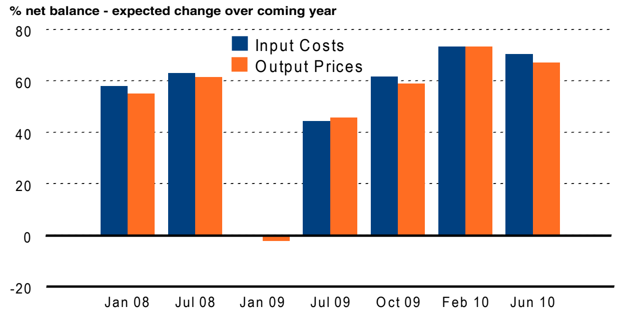
Employment / Capacity Utilization



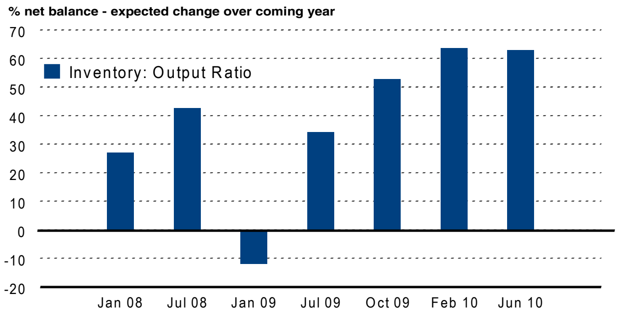
Capital Expenditure / R&D Expenditure



Input / Output Prices



Inventory: Output Ratio



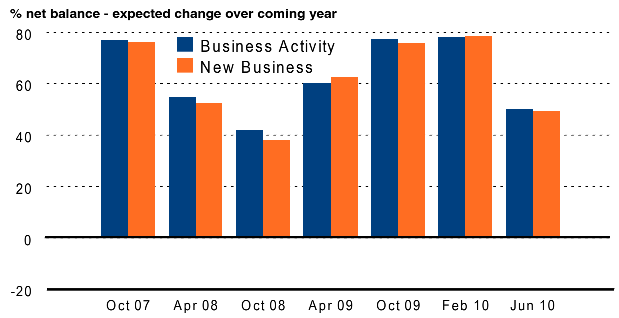
Brazil – Services

Brazil Services Summary

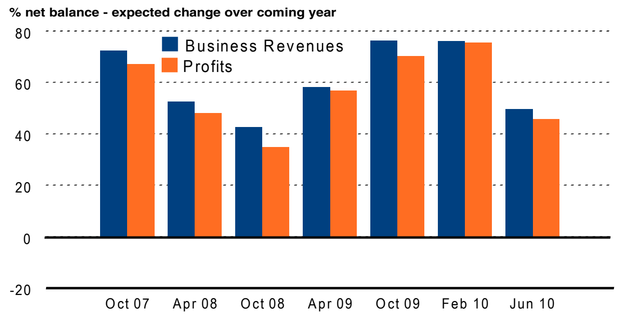
Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)

	Oct-08	Apr-09	Oct-09	Feb-10	Jun-10
Business Activity	+42.2	+60.4	+77.4	+78.3	**+50.2**
Business Revenues	+42.6	+58.1	+76.4	+76.1	**+49.6**
New Orders	+38.2	+62.6	+76.0	+78.4	**+49.2**
Profits	+34.8	+56.8	+70.4	+75.6	**+45.8**
Employment	+27.9	+40.5	+60.6	+69.1	**+38.4**
Capital Expenditure	+35.3	+55.0	+40.1	+47.5	**+36.0**
Outsourcing	+24.0	+26.1	+38.9	+34.7	**+27.6**
Input Prices	+54.9	+66.2	+64.6	+57.3	**+40.2**
Output Prices	+46.6	+55.9	+60.1	+56.7	**+39.1**
Staff Costs	+54.9	+63.5	+65.5	+53.5	**+42.0**
Services Costs	+38.7	+32.4	+58.9	+44.8	**+33.8**
Non-Staff Costs	+52.0	+52.3	+48.4	+46.8	**+37.2**

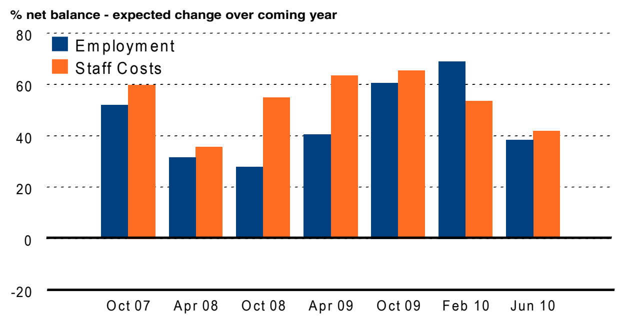
Business Activity / New Orders



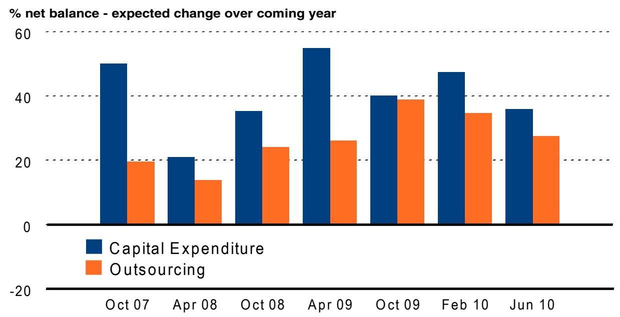
Business Revenues / Profits



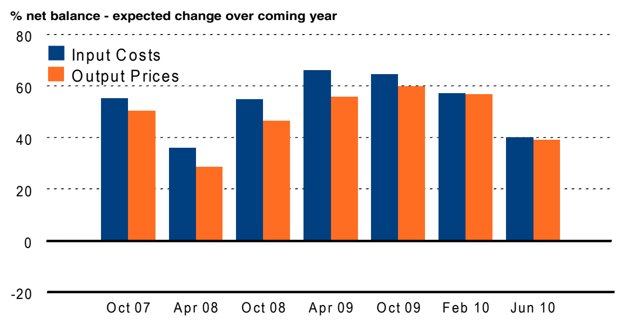
Employment / Staff Costs



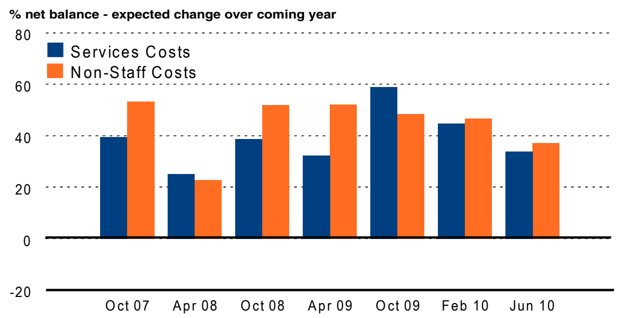
Capital Expenditure / Outsourcing



Input / Output Prices



Services / Non-Staff Costs



Russia

Manufacturing Sector (page 39)

- Russian manufacturers remain optimistic regarding the twelve-month outlook for production. The net balance remains firmly positive at +52.1, although this is the lowest since July 2009.
- The new business and business revenues net balances have also fallen since February, to +54.2 and +57.9 respectively.
- Inflationary pressures are forecasted to grow over the current outlook period. The net balances for input prices and output prices have both increased to their highest since July 2008, at +68.3 and +58.5 respectively.
- Employment expectations remain positive, but the net balance falls to +25.4, from +33.7 in February.
- Reflecting slower expected growth of revenues and stronger input price inflation, the profits net balance has eased to +37.1, from +44.9.
- Capital expenditure and research & development spending are both set to rise more slowly.

Comment from KPMG:

“In this latest survey, optimism around business activity in the services sector stands at +60 in Russia; a figure bettered globally only by the US. The reason for such booming optimism is quite straightforward. Within Russia at the moment, there is a growing feeling that significant investment is required both within the financial services sector and within infrastructure. Such investment will inevitably have a beneficial knock-on effect within the services sector. Additionally, the Russian government is well placed to make such investments as – unlike many other national governments – it is not currently having to deal with substantial national debts.

(Continued below)

Service Sector (page 40)

- Business confidence in the Russian service sector has rebounded in June compared to February. The business activity net balance has risen to +60.2, the second-highest of the past six outlook periods.
- Net balances for business revenues, new business and profits have also improved, rising to +61.0, +59.3 and +52.0 respectively.
- Russian service providers expect to add to their workforces over the next twelve months, and are the most optimistic since April 2008. Subsequently, expectations for staff costs have risen.
- Total input prices are set to rise at a softer rate (+43.9). This trend is reflected in both services costs and other non-staff costs. Meanwhile, the output prices net balances has increased to +47.2.
- The net balances for capital expenditure and outsourcing are little-changed in June, continuing the broad sideways trend since October 2009.

“On the manufacturing side, confidence has dipped a touch – although it remains strong in absolute terms. Manufacturing is less important to the Russian economy though and currently lacks international competitiveness, meaning that it has fallen back somewhat in terms of being seen as an international growth market.

“Overall though, there is a feeling of a very real recovery. M&A and IPO activity is picking up again and inward investment is strong. Combine that with strong GDP growth and continuing government spend – and everything points towards robust, sustained confidence in the Russian market.”

Tony Thompson, Head of Advisory,
KPMG in Russia

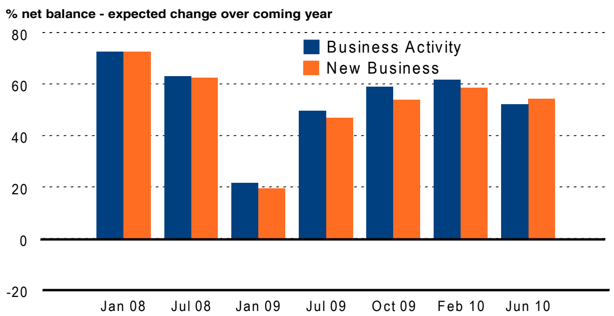
Russia – Manufacturing

Russia Manufacturing Summary

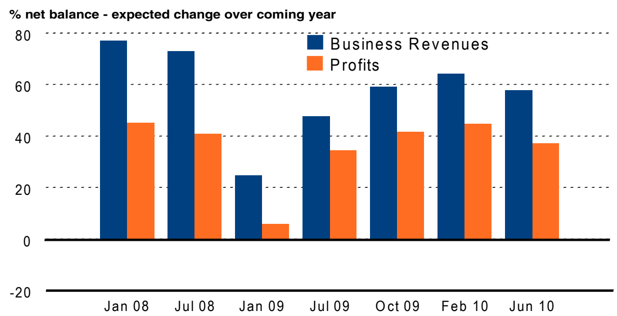
Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)

	Jan-09	Jul-09	Oct-09	Feb-10	Jun-10
Business Activity	+21.6	+49.7	+59.0	+61.7	**+52.1**
Business Revenues	+24.8	+47.7	+59.3	+64.2	**+57.9**
New Orders	+19.5	+47.0	+53.9	+58.5	**+54.2**
Profits	+6.0	+34.5	+41.6	+44.9	**+37.1**
Employment	-4.5	+20.8	+30.9	+33.7	**+25.4**
Capacity Utilization	+8.3	+31.5	+41.6	+49.1	**+40.8**
Capital Expenditure	-15.8	+9.4	+24.7	+37.1	**+32.4**
R&D Expenditure	-19.5	+10.1	+27.0	+39.4	**+34.5**
Input Prices	+39.8	+59.7	+63.5	+63.6	**+68.3**
Output Prices	+33.1	+48.3	+55.1	+53.4	**+58.5**
Inventory: Output Ratio	-15.0	-0.7	-0.6	+8.6	**-0.7**

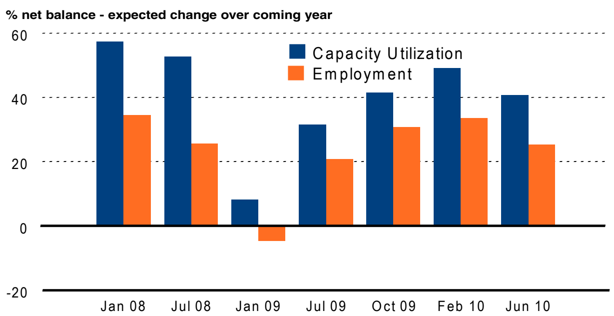
Business Activity / New Orders



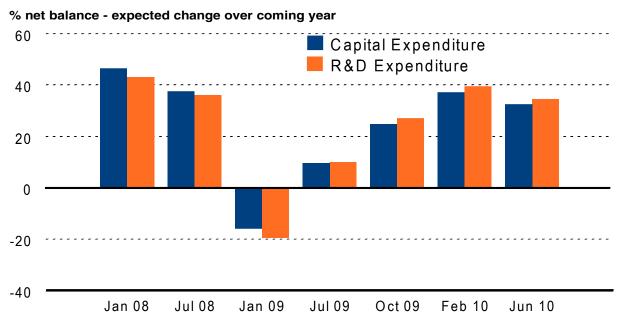
Business Revenues / Profits



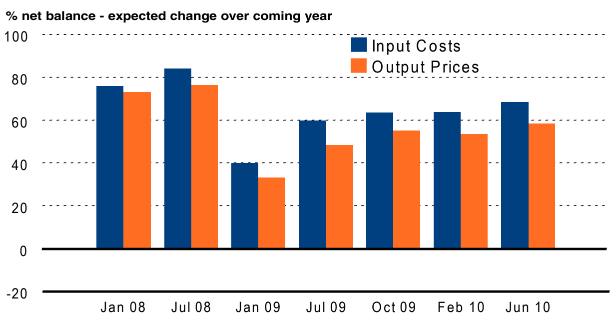
Employment / Capacity Utilization



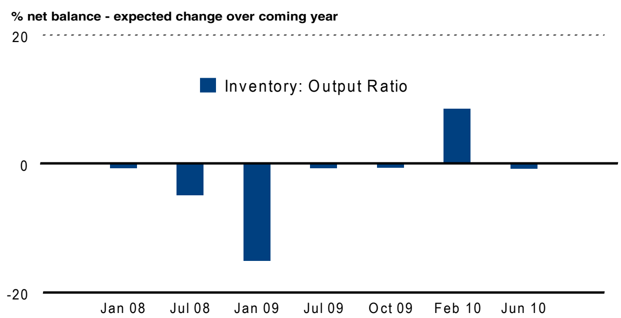
Capital Expenditure / R&D Expenditure



Input / Output Prices



Inventory: Output Ratio



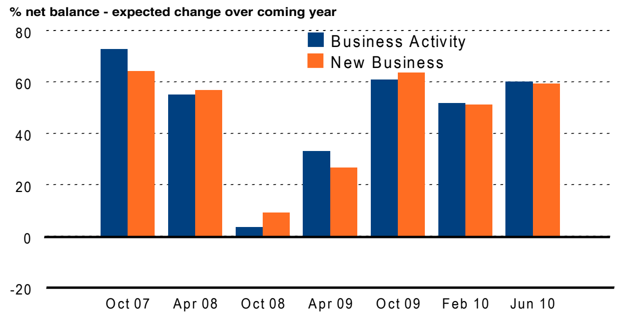
Russia – Services

Russia Services Summary

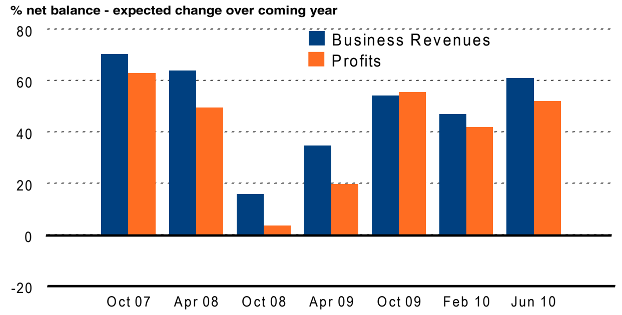
Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)

	Oct-08	Apr-09	Oct-09	Feb-10	Jun-10
Business Activity	+3.4	+33.1	+61.0	+51.7	**+60.2**
Business Revenues	+15.9	+34.6	+54.1	+47.0	**+61.0**
New Orders	+9.1	+26.8	+63.7	+51.3	**+59.3**
Profits	+3.4	+19.7	+55.5	+41.9	**+52.0**
Employment	+2.3	+9.4	+32.9	+30.8	**+39.8**
Capital Expenditure	+4.5	+5.5	+32.9	+35.9	**+34.1**
Outsourcing	+25.0	+11.0	+41.8	+39.3	**+39.8**
Input Prices	+38.6	+26.8	+44.5	+53.0	**+43.9**
Output Prices	+48.9	+27.8	+45.9	+39.3	**+47.2**
Staff Costs	+29.5	+22.2	+32.9	+40.2	**+47.2**
Services Costs	+33.0	+23.8	+37.0	+45.3	**+36.6**
Non-Staff Costs	+40.9	+27.8	+33.6	+41.9	**+36.6**

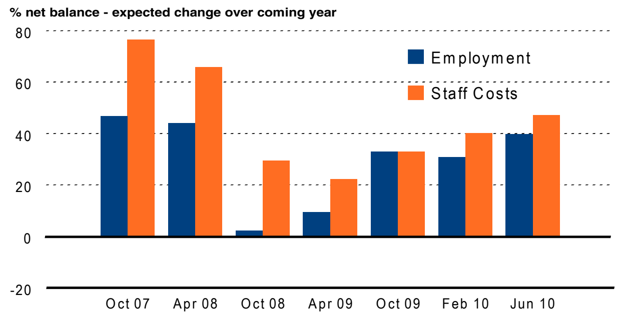
Business Activity / New Orders



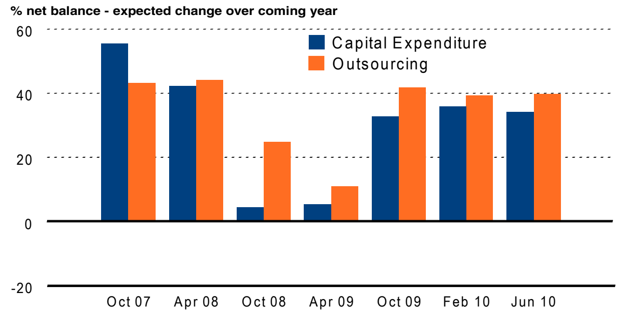
Business Revenues / Profits



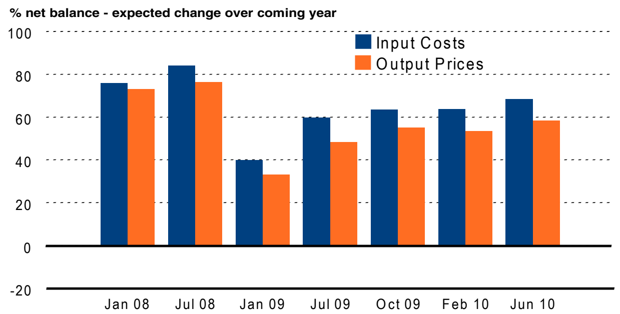
Employment / Staff Costs



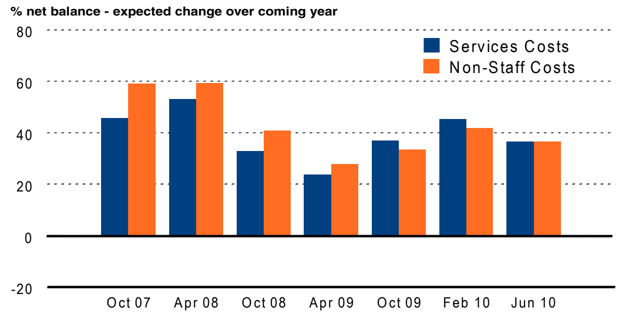
Capital Expenditure / Outsourcing



Input / Output Prices



Services / Non-Staff Costs



India

Manufacturing Sector (page 42)

- Manufacturers in India hold a more optimistic business outlook for the year ahead than was the case in February.
- With net balances of +57.9, Indian manufacturing output and new orders are both set to rise markedly. Expectations for these variables are the highest since July 2008. Consequently, revenues are forecast to grow sharply.
- However, with input costs (+65.2) expected to increase much faster than charges (+43.0), companies anticipate a slower rise in profits (+49.7) than revenues (+61.9).
- Panellists foresee solid expansions in both R&D and capital spending.
- Higher forecasts for activity and new business fed through into expectations for employment and capacity utilization in June. Both variables are on course to increase solidly in twelve months' time, with net balances of +30.2 and +35.1 respectively.

Comment from KPMG:

"The latest Indian survey data is notable for the way in which confidence is oozing through the manufacturing sector. India has set its sights on becoming a global manufacturing hub and seems well on its way to achieving this aim. Productivity is improving – as is quality, with a large number of Indian manufacturers now holding their own in terms of quality comparisons with their Asian competitors.

"The economy is looking particularly robust with leading stock market indices all moving in the right direction and with the increased collections from excise duty and corporate tax. In addition, the recent auction of 3G licenses brought in far more income than had been originally expected. The government has stated its aim to achieve double digit GDP growth and to attract yet more foreign investment – and they seem well placed to succeed.

(Continued below)

Service Sector (page 43)

- Optimism amongst Indian services firms regarding future business conditions improved slightly in June, but remained below those recorded prior to the global downturn.
- Panel members foresee robust growth of output, new business, revenues and profits over the next twelve months, as shown by respective net balances of +47.8, +47.0, +46.6 and +41.7.
- Expansions in employment and capital spending are set to accelerate slightly. However, the net balances for both these variables (+26.3 and +27.5 respectively) remain well below pre-crisis levels.
- Growth of outsourcing at Indian service providers is anticipated to remain moderate (+19.0).
- Both input and output prices are forecast to increase in the year ahead. However, input cost inflation is expected to be sharper than charge inflation.
- A breakdown of input prices shows that the greatest upward pressure on costs will come from wages and other staff-related expenses.

"However, the cautionary watchword here is inflation. The growth which India is pursuing will very likely lead to a rise in inflation. Energy and wage costs are already increasing but it is food costs which most people worry about. As inflation hits food prices, this affects the poorest members of society the most. That is the point at which the pressure will build to bring inflation down but at the moment there appears to be no tension between government and the central bank about when to start addressing this issue."

Richard Rekhy, Head of Advisory, KPMG in India

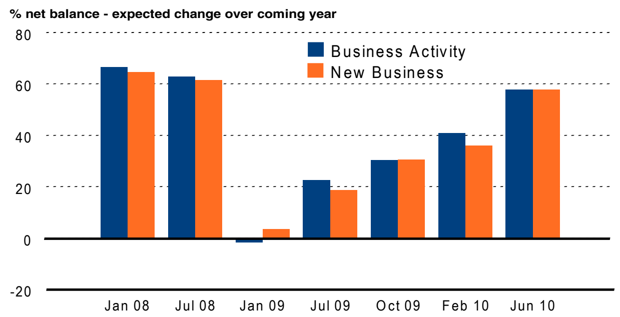
India – Manufacturing

India Manufacturing Summary

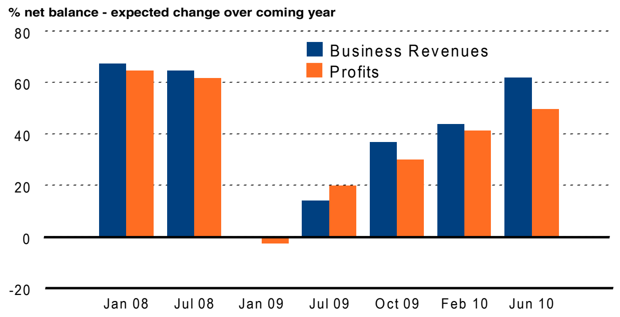
Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)

	Jan-09	Jul-09	Oct-09	Feb-10	Jun-10
Business Activity	-1.6	+22.5	+30.3	+40.8	**+57.9**
Business Revenues	+0.0	+14.0	+36.9	+43.9	**+61.9**
New Orders	+3.6	+18.8	+30.6	+36.1	**+57.9**
Profits	-2.6	+19.9	+30.0	+41.2	**+49.7**
Employment	+4.3	+10.0	+11.9	+20.1	**+30.2**
Capacity Utilization	-0.7	+8.5	+14.1	+28.2	**+35.1**
Capital Expenditure	+10.2	+10.3	+13.8	+31.0	**+38.1**
R&D Expenditure	+16.1	+4.6	+9.4	+18.0	**+33.5**
Input Prices	+10.8	+18.2	+37.2	+50.7	**+65.2**
Output Prices	+4.3	+10.5	+19.7	+22.1	**+43.0**
Inventory: Output Ratio	-3.0	+3.4	-2.2	+15.6	**+32.3**

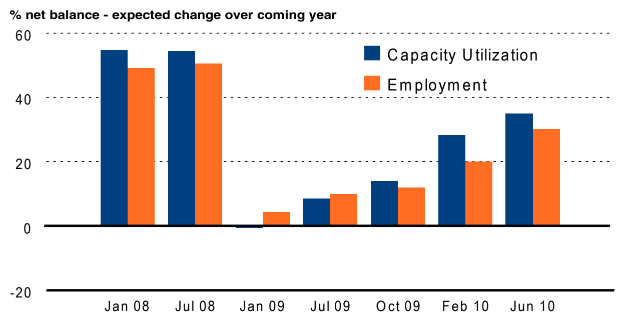
Business Activity / New Orders



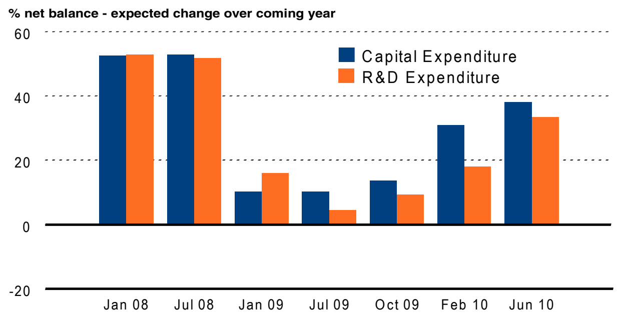
Business Revenues / Profits



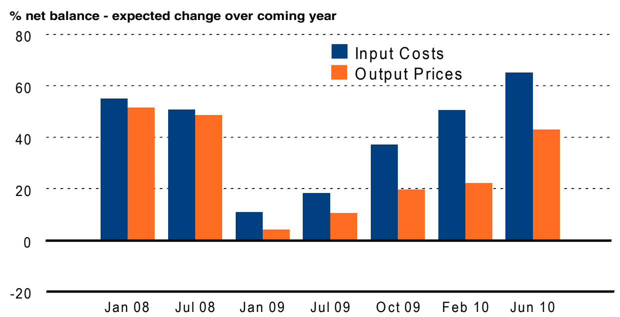
Employment / Capacity Utilization



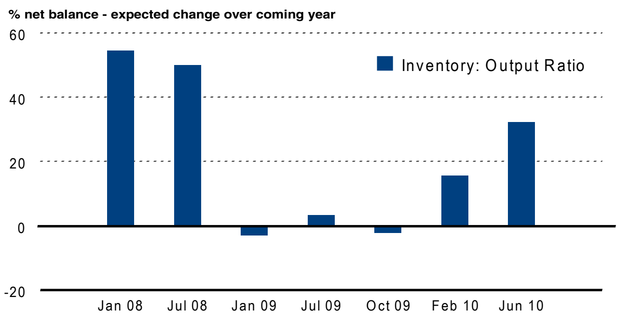
Capital Expenditure / R&D Expenditure



Input / Output Prices



Inventory: Output Ratio



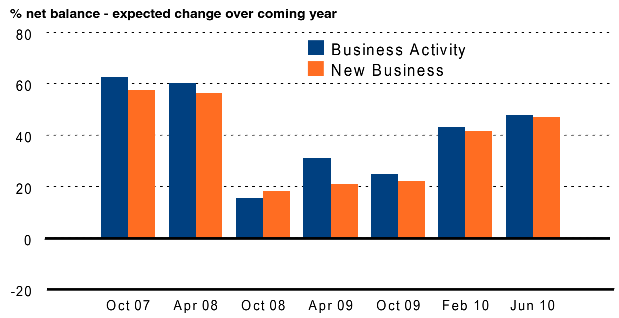
India – Services

India Services Summary

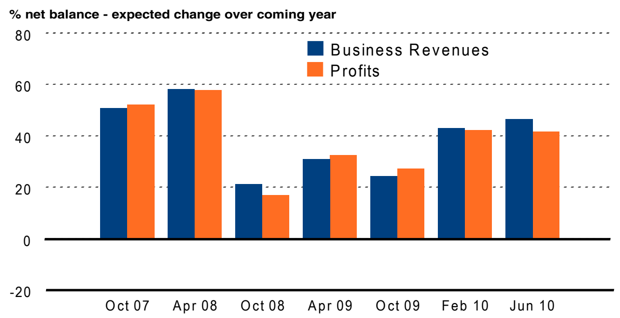
Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)

	Oct-08	Apr-09	Oct-09	Feb-10	Jun-10
Business Activity	+42.2	+31.1	+24.7	+43.2	**+47.8**
Business Revenues	+42.6	+31.1	+24.2	+43.2	**+46.6**
New Orders	+38.2	+21.0	+22.1	+41.5	**+47.0**
Profits	+34.8	+32.5	+27.3	+42.3	**+41.7**
Employment	+27.9	+18.9	+16.9	+19.5	**+26.3**
Capital Expenditure	+35.3	+35.7	+8.7	+25.3	**+27.5**
Outsourcing	+24.0	+20.6	-6.5	+19.1	**+19.0**
Input Prices	+54.9	+21.0	+18.6	+15.4	**+37.7**
Output Prices	+46.6	+17.8	+4.3	+13.7	**+26.3**
Staff Costs	+54.9	+17.8	+16.5	+20.3	**+32.0**
Services Costs	+38.7	+16.4	+0.9	+9.1	**+24.3**
Non-Staff Costs	+52.0	+19.6	+12.1	+14.9	**+27.5**

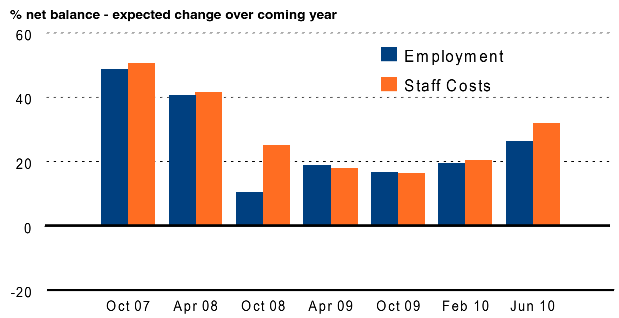
Business Activity / New Orders



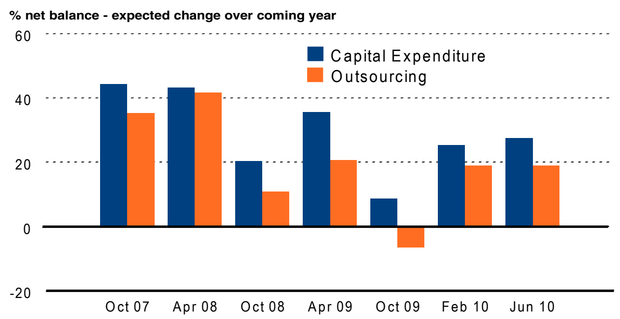
Business Revenues / Profits



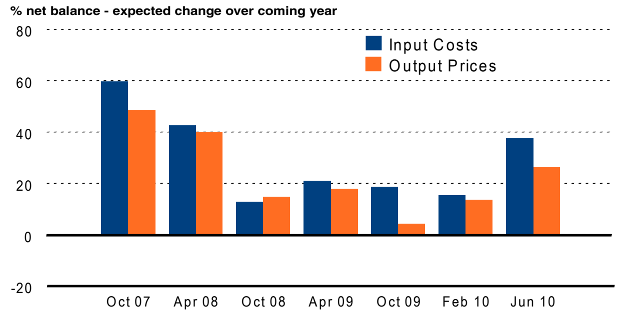
Employment / Staff Costs



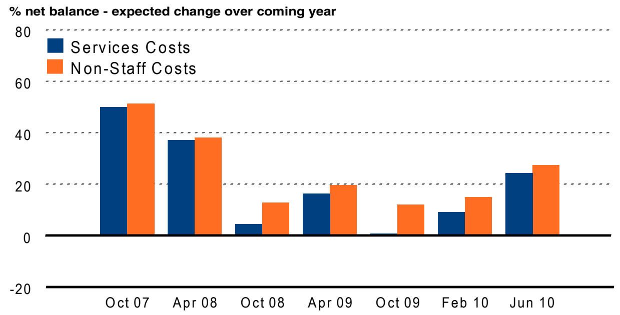
Capital Expenditure / Outsourcing



Input / Output Prices



Services / Non-Staff Costs



China

Manufacturing Sector (page 45)

- Chinese manufacturers are optimistic about the one-year outlook for business activity, albeit to the lowest extent since January 2009. At +38.2, the respective net balance is below the global average.
- Expectations regarding future new business levels remain positive, although the degree of optimism is the least marked in four outlook periods.
- Companies anticipate business revenues to rise in the next twelve months. However, a drop in the net balance from +58.9 to +39.9 signals that manufacturers are less upbeat than at any time since January 2009.
- In line with expectations of slower revenue and activity growth, firms are less confident about the one-year outlook for profitability in June (+34.6 from +45.8).
- Staffing levels are forecast to have risen come June 2011, although the degree of optimism is the lowest in three outlook periods.

Comment from KPMG:

"It would be all too easy to look at the Chinese numbers and assume that something is going wrong, with optimism falling by as much as 10 or 20 points across the board. It's all relative of course as – in real terms – the latest survey numbers paint a picture of Chinese businesses that are still more than happy with their current activity prospects.

"Observers should consider the bigger picture though and appreciate that China's economy has grown so rapidly that the government is now actively trying to cool it down. Recent policy measures to deal with an overheated real estate market, for instance, have achieved the intended effect of dampening investor sentiment and this is reflected in the confidence figures. Having been at the heart of the world's recovery efforts, China is simply now settling into a more comfortable, sustainable growth pattern. It is the turn of other countries elsewhere to take the lead on the confidence front as they emerge from their own testing times.

(Continued below)

Service Sector (page 46)

- Chinese service providers are optimistic about future activity levels at their units, although the degree of confidence is the lowest in three outlook periods (+44.0).
- At +40.7, the net balance for new business indicates that firms remain upbeat about the outlook for demand, albeit to a lesser degree than in the previous two outlook periods. As a result, confidence regarding future business revenues has moderated since February.
- The profitability of Chinese service providers' operations is forecast to rise in the year ahead. Nonetheless, the extent of positive sentiment is the lowest in three outlook periods.
- Confidence regarding the employment outlook has dipped, but is still higher than the global average.
- On the prices front, both input and output charges are expected to rise in the next twelve months, although the forecast rates of inflation are slower than in the previous outlook period.

"In considering the government's actions, attention should be paid to the spectre of out-of-control inflation. Having a stable, harmonious society is a key objective of the government and inflation poses a significant risk to achieving that as it tends to affect lower income groups more and can lead to further polarisation in society. For this reason alone, the government is taking an appropriate course of action in trying to rein in its own rampant economy and businesses would appear to be reacting accordingly."

Honson To, Head of Advisory, Asia-Pacific region

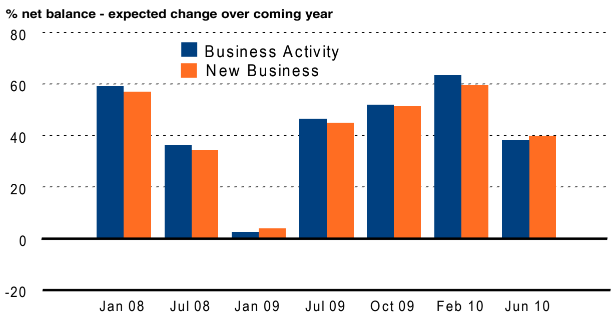
China – Manufacturing

China Manufacturing Summary

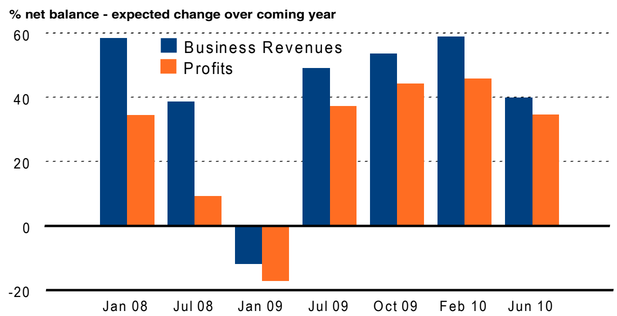
Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)

	Jan-09	Jul-09	Oct-09	Feb-10	Jun-10
Business Activity	+2.6	+46.7	+52.0	+63.5	**+38.2**
Business Revenues	-11.8	+49.0	+53.7	+58.9	**+39.9**
New Orders	+3.9	+45.0	+51.3	+59.5	**+39.9**
Profits	-17.1	+37.3	+44.3	+45.8	**+34.6**
Employment	-3.0	+17.3	+27.7	+28.8	**+19.3**
Capacity Utilization	+10.5	+38.7	+38.3	+45.5	**+29.2**
Capital Expenditure	-9.9	+21.3	+34.3	+39.1	**+32.6**
R&D Expenditure	+23.0	+36.3	+44.3	+44.5	**+34.2**
Input Prices	-23.4	+35.3	+27.3	+40.8	**+20.6**
Output Prices	-20.7	+19.0	+14.3	+24.7	**+15.0**
Inventory: Output Ratio	-13.5	-3.0	-2.3	-8.4	**-1.3**

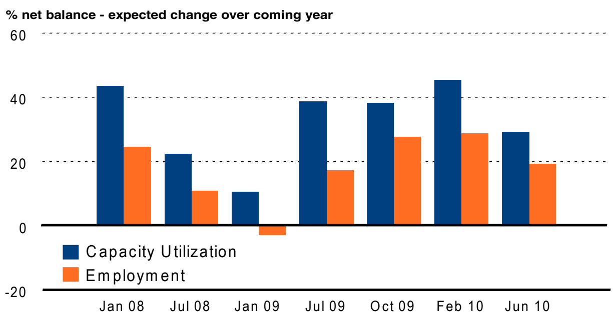
Business Activity / New Orders



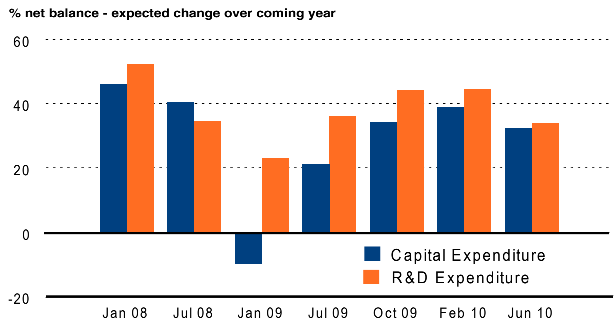
Business Revenues / Profits



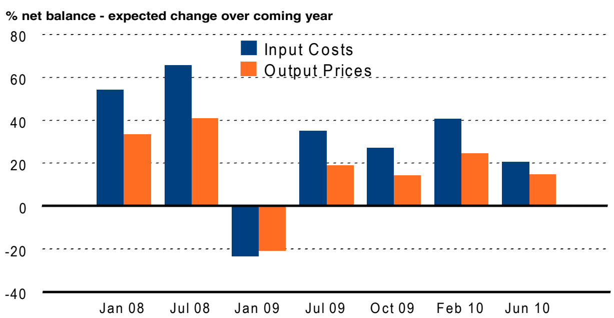
Employment / Capacity Utilization



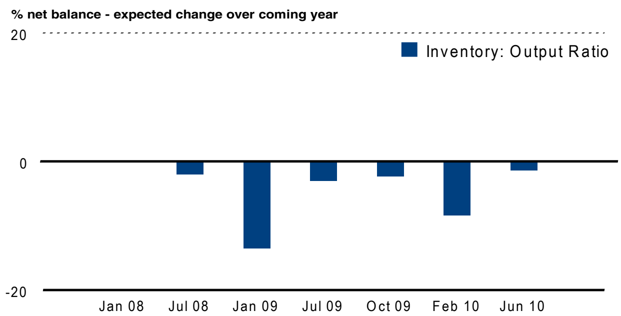
Capital Expenditure / R&D Expenditure



Input / Output Prices



Inventory: Output Ratio



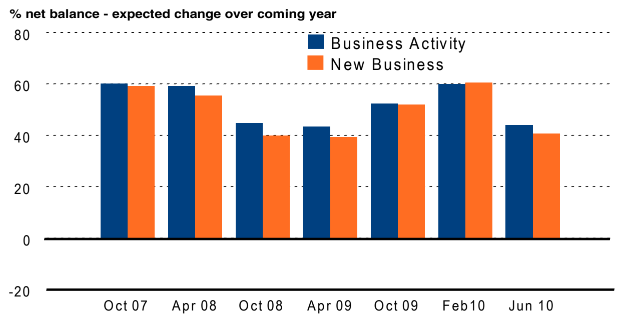
China – Services

China Services Summary

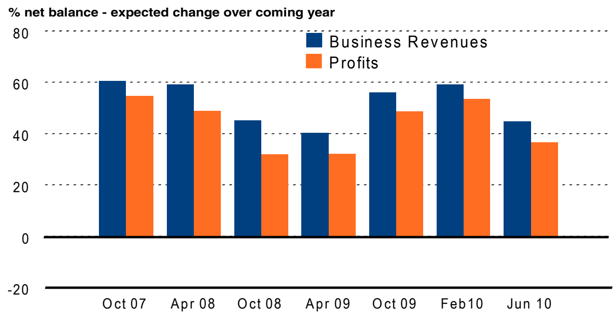
Net balance (% expecting an increase in the next 12 months minus % expecting a decrease)

	Oct-08	Apr-09	Oct-09	Feb-10	Jun-10
Business Activity	+44.9	+43.3	+52.3	+59.9	**+44.0**
Business Revenues	+45.2	+40.3	+56.0	+59.2	**+44.7**
New Orders	+39.8	+39.3	+52.0	+60.5	**+40.7**
Profits	+32.0	+32.0	+48.7	+53.6	**+36.8**
Employment	+18.4	+18.7	+30.7	+32.9	**+26.2**
Capital Expenditure	+27.2	+20.7	+33.0	+40.8	**+31.5**
Outsourcing	+8.5	+8.3	+14.0	+16.8	**+13.6**
Input Prices	+41.2	+26.3	+37.7	+46.7	**+33.8**
Output Prices	+11.2	+2.7	+5.0	+10.2	**+7.3**
Staff Costs	+40.5	+22.3	+31.0	+40.1	**+33.4**
Services Costs	+10.5	+6.3	+14.0	+17.8	**+13.2**
Non-Staff Costs	+27.2	+13.3	+19.7	+31.3	**+23.8**

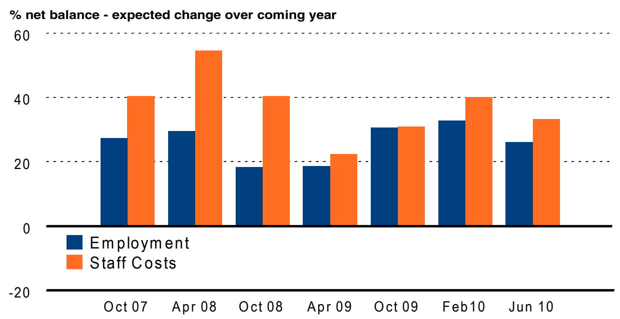
Business Activity / New Orders



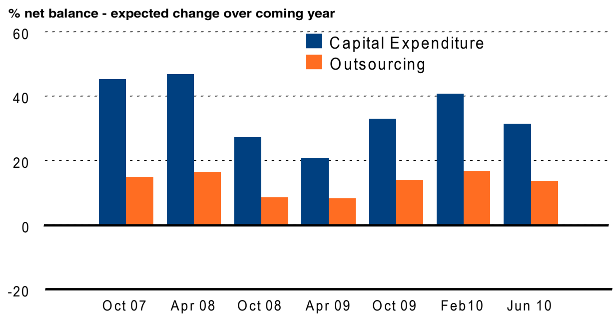
Business Revenues / Profits



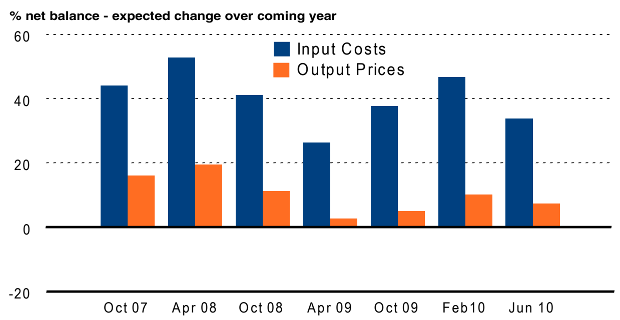
Employment / Staff Costs



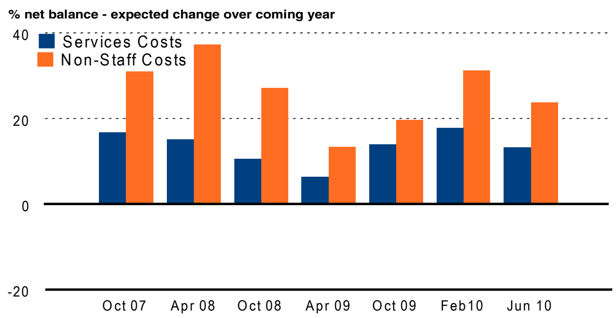
Capital Expenditure / Outsourcing



Input / Output Prices



Services / Non-Staff Costs



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.

- Business activity in the global manufacturing sector is widely expected to rise during the next twelve months.
- Expectations are little-changed since the previous survey in February, as signaled by a net balance of +49.9 from +50.9.
- US manufacturers are bullish regarding future activity, with a net balance of +69.3 firms anticipating a rise.
- BRIC firms anticipate a marked increase in output, although the latest net balance of +45.7 is down noticeably since February and the lowest for four outlook periods.
- In the EU, confidence has improved to the highest since July 2007 (+44.5).
- Japanese manufacturers are more optimistic than in either of the previous two surveys (+30.8).
- By sector, the steepest increase in activity is anticipated in the Electrical & Optical category (+56.3).

Comment from panellists:

"Developing business in international markets"

Electrical & Optical

"Improved economic conditions will support growth"

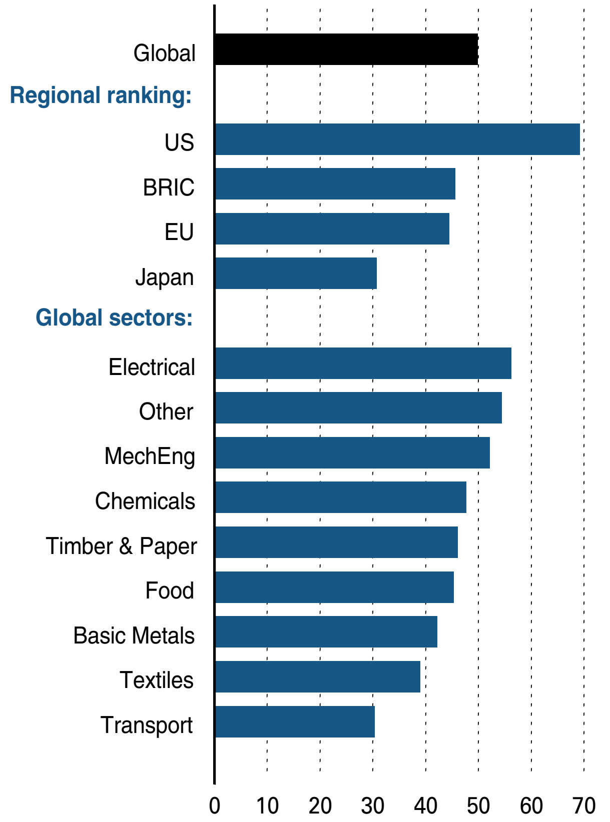
Mechanical Engineering

"Government measures to reduce deficit could have a negative effect on growth"

Transport

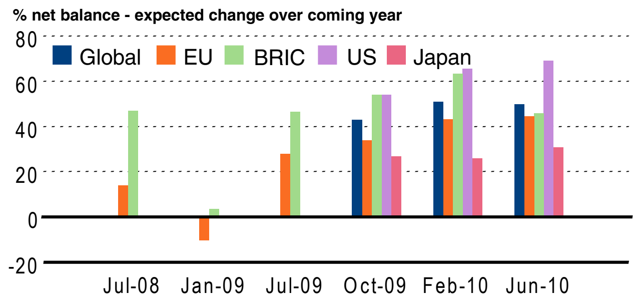
Global Business Activity - June 2010

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



Global Business Activity - By Area/Country*

	Global	EU	BRIC	US	Japan
Oct '09	**+42.9**	+33.9	+54.1	+54.0	+26.8
Feb '10	**+50.9**	+43.4	+63.4	+65.7	+25.9
Jun '10	**+49.9**	+44.5	+45.7	+69.3	+30.8



*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
Oct '09	+40.2	+48.5	+47.3	+54.5	+15.7	+52.3	+48.3	+30.0	+45.3
Feb '10	+48.9	+66.9	+55.3	+54.9	+29.6	+48.3	+52.0	+51.5	+57.6
Jun '10	+45.4	+39.0	+56.3	+47.8	+30.4	+46.1	+42.2	+52.2	+54.5

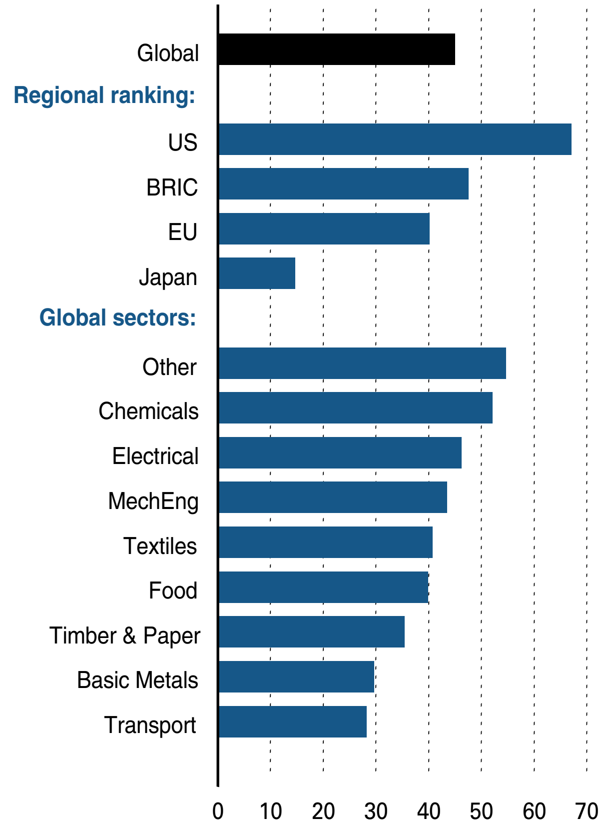
Global Business Revenues – Manufacturing

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.

- Expectations for business revenues in the global manufacturing sector have improved for the second consecutive outlook period.
- A net balance of +45.0 companies forecast growth of revenues in twelve months' time, compared with +42.5 in February.
- US manufacturers hold the most upbeat expectations, as indicated by a net balance of +67.0 from +60.7 in February.
- In the BRIC region, confidence regarding revenues has slipped to the lowest for three outlook periods. However, a net balance of +47.6 still indicates an expected marked rise.
- Manufacturers in the EU have become more optimistic than was the case in the previous survey, with June's net balance of +40.1 the highest since July 2007.
- A net balance of +14.8 for Japan signals a modest expected rise in business revenues.

Global Business Revenues - June 2010

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



Comment from panellists:

"Increase our revenue by raising prices"
Chemicals & Plastics

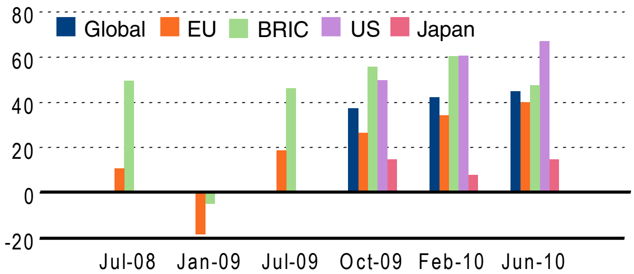
"More advertising and online content"
Textiles & Clothing

"Diversifying into other sectors, we have taken on work that we would have avoided in the past"
Transport

Global Business Revenues - By Area/Country*

	Global	EU	BRIC	US	Japan
Oct '09	**+37.4**	+26.6	+55.7	+49.8	+14.7
Feb '10	**+42.5**	+34.2	+60.5	+60.7	+8.0
Jun '10	**+45.0**	+40.1	+47.6	+67.0	+14.8

% 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
Oct '09	+32.2	+51.2	+42.9	+48.5	+18.0	+35.4	+42.1	+23.0	+43.7
Feb '10	+47.2	+57.3	+41.5	+47.8	+39.4	+35.6	+41.8	+39.0	+47.1
Jun '10	+40.0	+40.8	+46.2	+52.2	+28.2	+35.5	+29.6	+43.5	+54.7

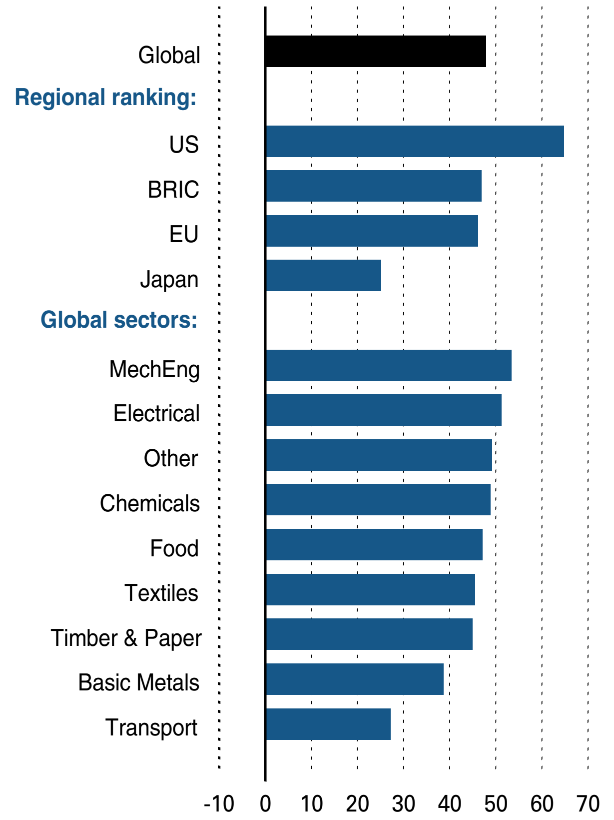
Global New Orders – Manufacturing

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.

- A net balance of +48.0 for new orders signals a marked degree of confidence regarding future new orders in the global manufacturing sector, albeit to a slightly lower extent than in February.
- The US is set to see the strongest expansion in incoming new work. June's net balance of +64.8 is higher than in the previous two surveys.
- BRIC manufacturers continue to anticipate a brisk pace of new order growth, despite the net balance dropping to its lowest since October 2008 (+46.9).
- In contrast, EU firms' optimism has increased to the highest since July 2007 (+46.2).
- Japanese companies are less confident regarding new orders than was the case in the past two outlook surveys (+25.1).
- Mechanical Engineering firms expect the sharpest rise in new orders during the next twelve months (+53.5).
- Electrical & Optical manufacturers also predict a marked increase (+51.3).

Global New Orders - June 2010

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



Comment from panellists:

"If economy continues to improve we will have more business in next twelve months"

Basic Metals

"Upturn in consumer spending"

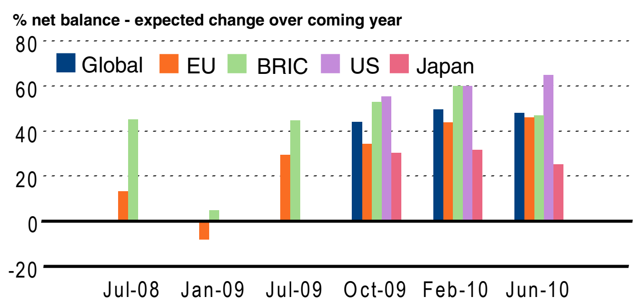
Other Manufacturing

"New export markets, better quality and product range"

Transport

Global New Orders - By Area/Country*

	Global	EU	BRIC	US	Japan
Oct '09	**+44.1**	+34.2	+53.0	+55.4	+30.4
Feb '10	**+49.7**	+43.8	+59.9	+59.9	+31.7
Jun '10	**+48.0**	+46.2	+46.9	+64.8	+25.1



*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
Oct '09	+32.0	+47.7	+48.6	+56.6	+17.1	+58.0	+50.9	+28.1	+48.2
Feb '10	+47.2	+63.2	+52.2	+54.3	+30.7	+47.4	+49.2	+55.8	+52.5
Jun '10	+47.2	+45.5	+51.3	+48.9	+27.2	+45.0	+38.7	+53.5	+49.3

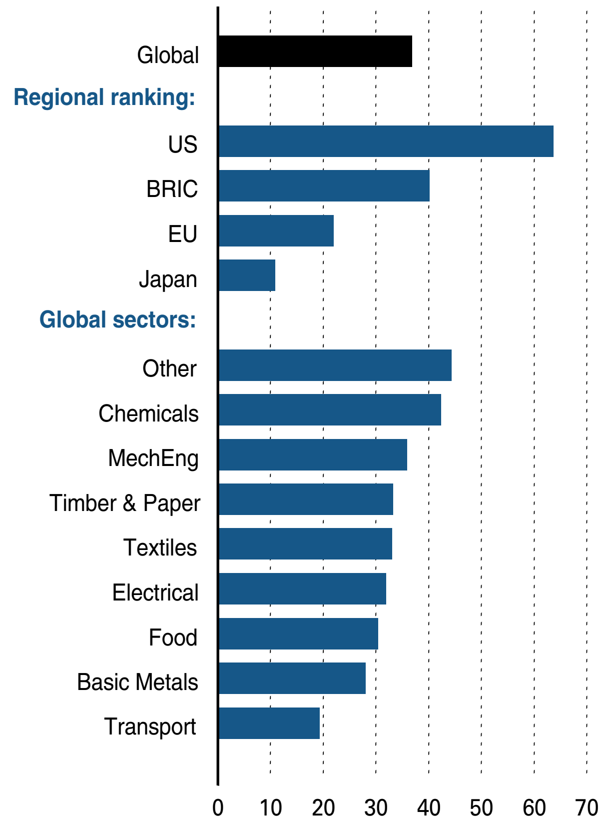
Global Profits – Manufacturing

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.

- Optimism regarding profitability has improved further, as signaled by a rise in the net balance from +35.3 to +36.9 in June.
- US firms are the most upbeat, with the latest net balance of +63.7 the highest in three outlook periods.
- Confidence in the BRIC area has fallen to the least marked since July 2009, but remains solid (+40.2).
- June's net balance for the EU is +22.0, the best reading since January 2007.
- Manufacturers in Japan expect a slightly sharper rise in profits than was the case in February (+10.9 from +8.0).
- Panellists in the 'Other Manufacturing' sector anticipate the strongest growth (+44.4).
- Transport companies are the last confident regarding future profitability (+19.4).

Global Profits - June 2010

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



Comment from panellists:

"Developing business in international markets"

Electrical & Optical

"Fewer competitors as a result of closing down of firms"

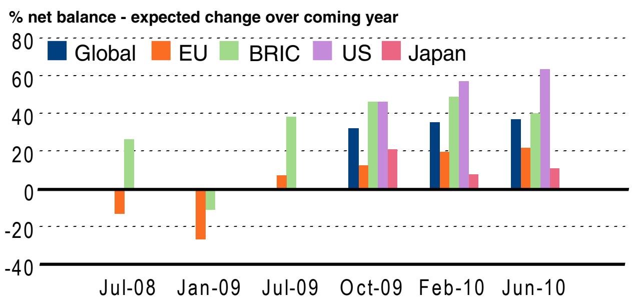
Electrical & Optical

"Improved efficiency of production process allows us to increase our margins"

Food & Drink

Global Profits - By Area/Country*

	Global	EU	BRIC	US	Japan
Oct '09	**+32.1**	+12.6	+46.2	+46.4	+21.0
Feb '10	**+35.3**	+19.8	+49.0	+57.1	+8.0
Jun '10	**+36.9**	+22.0	+40.2	+63.7	+10.9



*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
Oct '09	+30.0	+41.5	+26.6	+47.6	+9.7	+31.9	+36.5	+18.1	+40.6
Feb '10	+40.7	+53.1	+39.4	+39.2	+19.6	+29.2	+34.7	+28.4	+40.3
Jun '10	+30.5	+33.0	+32.0	+42.4	+19.4	+33.3	+28.0	+35.9	+44.4

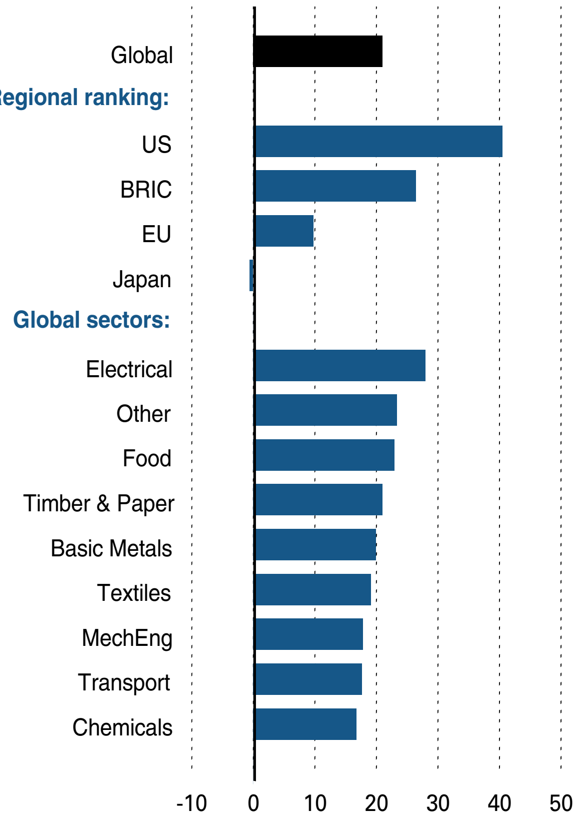
Global Employment – Manufacturing

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.

- The outlook for employment has improved for a second successive outlook period, with the net balance of firms anticipating an increase in staffing levels climbing to +20.9.
- Hiring intentions have risen sharply in the US manufacturing sector (+40.4 from +27.3 in February).
- EU firms are the most optimistic regarding employment since July 2007. However, a net balance of +9.8 indicates only a modest degree of confidence.
- The net balance for the BRIC region has dropped to its lowest for three survey periods but still points to expectations for a solid rise in staffing levels (+26.5).
- Japanese companies continue to forecast declining employment during the coming year, although the rate of job shedding is expected to be only marginal (-0.5).
- Electrical & Optical firms anticipate the strongest rise in staffing levels.

Global Employment - June 2010

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



Comment from panellists:

"Expanding our workforce to take advantage of business opportunities"

Food & Drink

"Hiring new staff to exploit new business opportunities"

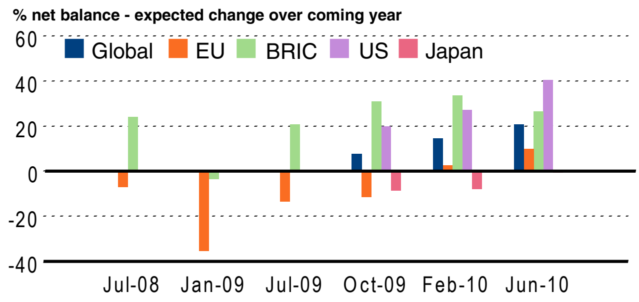
Other Manufacturing

"Lack of skilled workers poses a challenge"

Electrical & Optical

Global Employment - By Area/Country*

	Global	EU	BRIC	US	Japan
Oct '09	**+7.8**	-11.5	+30.9	+20.0	-8.7
Feb '10	**+14.6**	+2.7	+33.6	+27.3	-7.9
Jun '10	**+20.9**	+9.8	+26.5	+40.4	-0.5



*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
Oct '09	+12.4	+14.5	+8.1	+13.9	+2.7	-4.2	+16.3	+3.0	+9.1
Feb '10	+11.3	+16.2	+7.3	+23.0	+26.4	+15.9	+21.4	+15.0	+11.8
Jun '10	+22.9	+19.2	+28.0	+16.8	+17.7	+21.0	+19.9	+17.8	+23.3

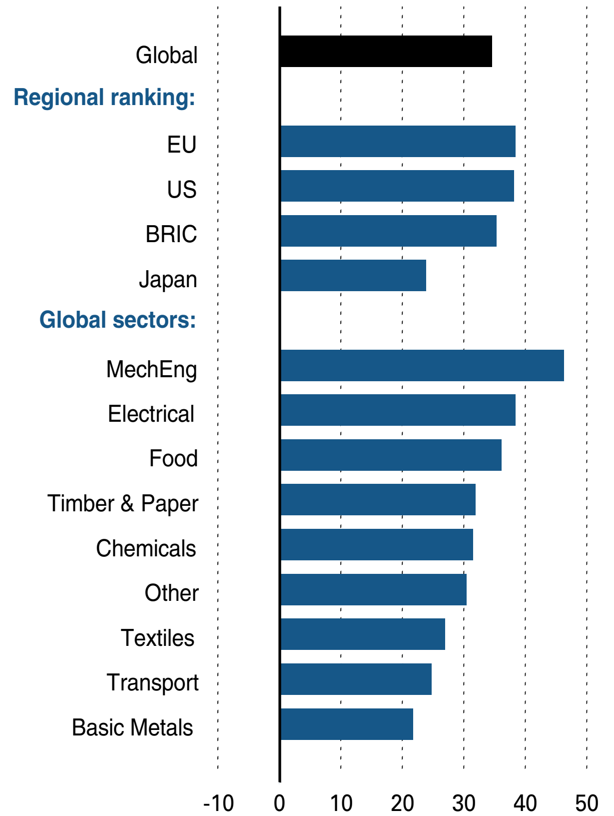
Global Capacity Utilization – Manufacturing

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.

- Expectations for capacity utilization are little-changed in June from the situation in February, with the net balance at +34.6 (from +35.6).
- EU manufacturers anticipate the strongest increase. June's net balance of +38.4 is the highest of the past seven outlook periods.
- The net balance for the US has risen further to +38.2 in June.
- In contrast, BRIC manufacturers forecast a slower increase in capacity utilization than in the previous three outlook surveys (+35.4).
- Expectations have similarly eased in Japan, where the net balance has slipped to +23.9 from +27.5 in February.
- Mechanical Engineering companies predict the sharpest rise in capacity utilization (+46.3).
- The slowest increase is forecast by Basic Metals firms (+21.8).

Global Capacity Utilization - June 2010

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



Comment from panellists:

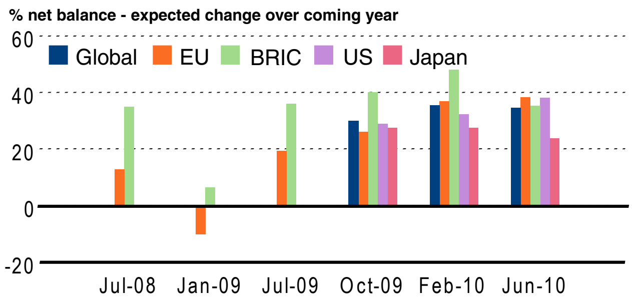
"We still have a lot of spare capacity"
Chemicals & Plastics

"Expecting to see a rise in utilization rates"
Food & Drink

"Better capacity utilization leads to higher margins"
Transport

Global Capacity Utilization - By Area/Country*

	Global	EU	BRIC	US	Japan
Oct '09	**+30.1**	+26.1	+40.1	+29.0	+27.5
Feb '10	**+35.6**	+36.8	+48.0	+32.3	+27.5
Jun '10	**+34.6**	+38.4	+35.4	+38.2	+23.9



*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
Oct '09	+25.4	+34.5	+37.2	+37.1	+14.0	+38.4	+40.6	+19.6	+31.7
Feb '10	+27.5	+28.7	+38.6	+35.8	+35.6	+31.9	+37.3	+41.6	+29.2
Jun '10	+36.2	+26.9	+38.5	+31.5	+24.8	+32.0	+21.8	+46.3	+30.5

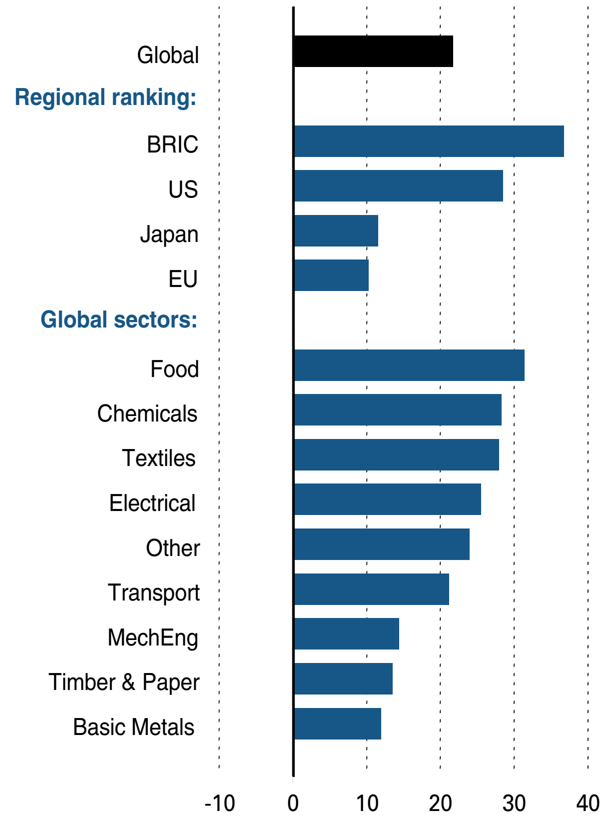
Global Capital Expenditure – Manufacturing

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.

- Capex plans in the global manufacturing sector have been revised higher for the second survey period running.
- A net balance of +21.7 companies plan to increase the value of their capital investments, up from +15.5 in February.
- Capex plans in the BRIC area have been revised lower since February, with the net balance dropping from +41.8 to +36.7, but are still the most positive of the major economic regions.
- June's net balance for the US is the highest in the past three outlook periods (+28.5), as is the case for Japan (+11.6).
- In the EU, optimism regarding capex is the strongest since January 2008 (+10.3).
- Food & Drink producers expect the largest rise in capital spending (+31.4).
- The weakest increase is predicted by Basic Metals firms (+12.0).

Global Capital Expenditure - June 2010

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



Comment from panellists:

"New equipment will boost our productivity"

Timber & Paper

"Increase in capacity in the factory to produce more to meet customer demand"

Food & Drink

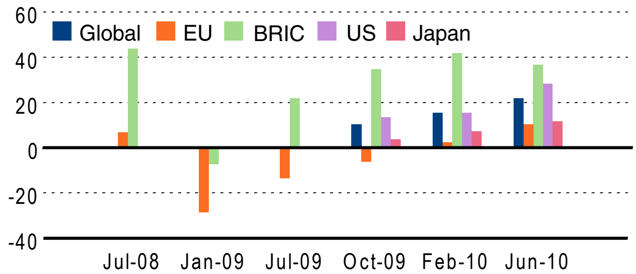
"Investing in new technologies to aid production process"

Mechanical Engineering

Global Capital Expenditure - By Area/Country*

	Global	EU	BRIC	US	Japan
Oct '09	**+10.4**	-6.2	+34.8	+13.4	+3.6
Feb '10	**+15.5**	+2.4	+41.8	+15.4	+7.2
Jun '10	**+21.7**	+10.3	+36.7	+28.5	+11.6

% 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
Oct '09	+26.1	+18.2	+14.9	+12.1	-6.0	+17.7	+10.0	+6.1	+11.6
Feb '10	+15.1	+28.7	+16.2	+16.5	+6.9	+19.4	+18.0	+16.7	+12.8
Jun '10	+31.4	+28.0	+25.5	+28.3	+21.2	+13.5	+12.0	+14.4	+24.0

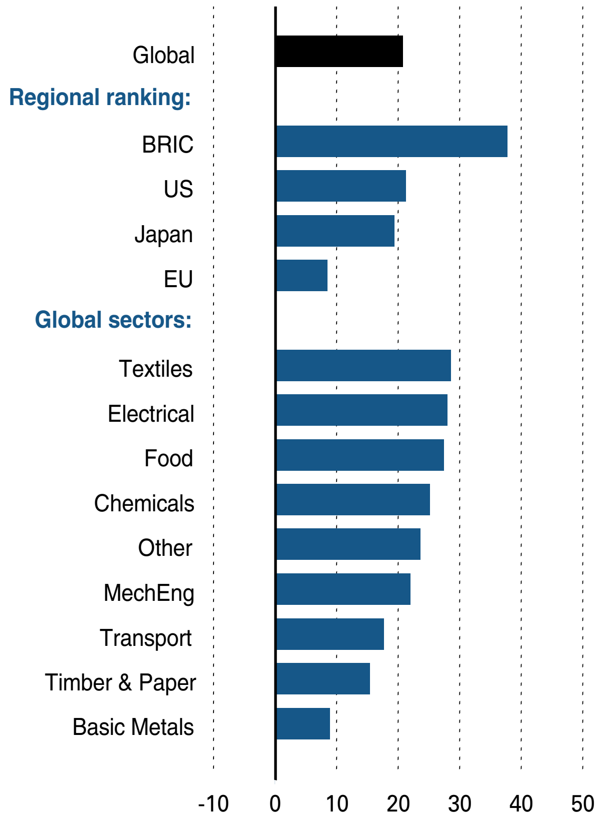
Global R&D Expenditure – Manufacturing

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.

- R&D expenditure by manufacturers worldwide is expected to increase during the next twelve months.
- June's net balance of +20.8 is up from +18.9 in February.
- BRIC firms continue to anticipate the sharpest rise in R&D spending, despite confidence easing to the lowest in the past three outlook periods (+37.8).
- Optimism has strengthened elsewhere, with the US (+21.3), Japan (+19.4) and the EU (+8.6) all registering improved net balances compared with February.
- All nine broad sectors monitored by the survey are expected to see higher levels of capex in a year's time.
- The strongest growth is forecast in the Textiles & Clothing category (+28.6).
- Basic Metals is set to see the weakest rise in capex (+8.9).

Global R&D Expenditure - June 2010

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



Comment from panellists:

"New markets opening up thanks to innovations in technology"

Basic Metals

"Increasing our investment in R&D"

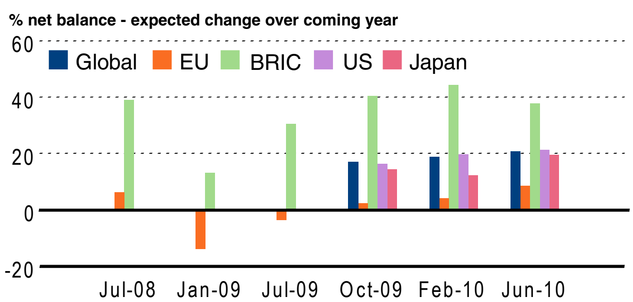
Chemicals & Plastics

"Progressing research on new technologies"

Electrical & Optical

Global R&D Expenditure - By Area/Country*

	Global	EU	BRIC	US	Japan
Oct '09	**+17.1**	+2.3	+40.5	+16.4	+14.5
Feb '10	**+18.9**	+4.1	+44.4	+19.8	+12.2
Jun '10	**+20.8**	+8.6	+37.8	+21.3	+19.4



*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
Oct '09	+26.7	+28.1	+25.6	+12.3	+7.3	+21.7	+15.8	+15.3	+18.3
Feb '10	+15.4	+33.9	+20.8	+25.3	+18.6	+19.7	+13.0	+24.7	+17.4
Jun '10	+27.5	+28.6	+28.0	+25.2	+17.7	+15.4	+8.9	+22.0	+23.6

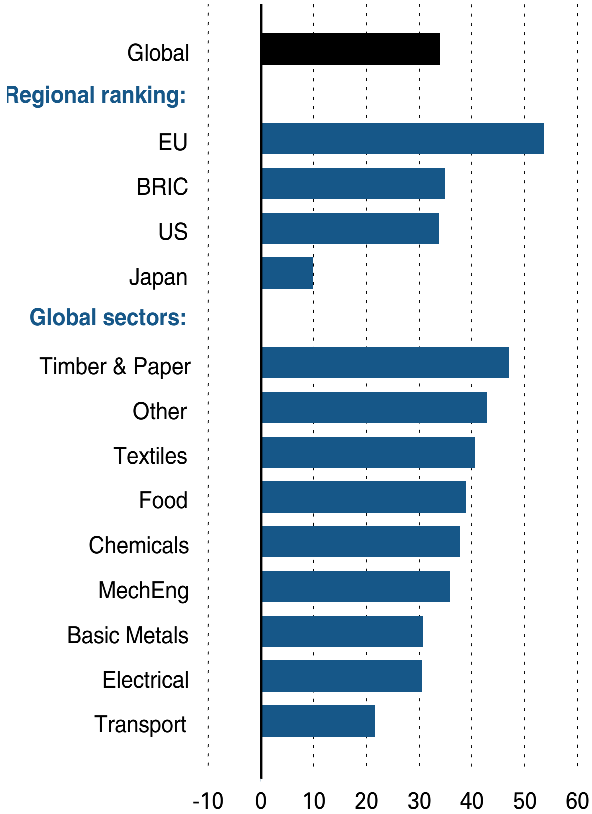
Global Input Prices – Manufacturing

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.

- Expectations for input cost inflation have risen since the previous survey (+34.1 from +27.6).
- EU manufacturers anticipate the steepest cost inflation, with the latest net balance of +53.8 climbing sharply to the highest since July 2008.
- Panellists in the US also forecast a faster rise in input prices than was the case in February (+33.7 from +31.6).
- In contrast, expectations in the BRIC area have eased to the lowest since January 2009.
- The net balance for Japan is positive in June for the first time in three outlook surveys (+9.9).
- Timber & Paper producers signal the highest expectations for input cost inflation (+47.1).
- The slowest rise in costs is predicted by Transport firms (+21.8).

Global Input Prices - June 2010

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



Comment from panellists:

"Raw material price fluctuation poses a threat to our business"

Timber & Paper

"Supply bottlenecks leading to rising prices"

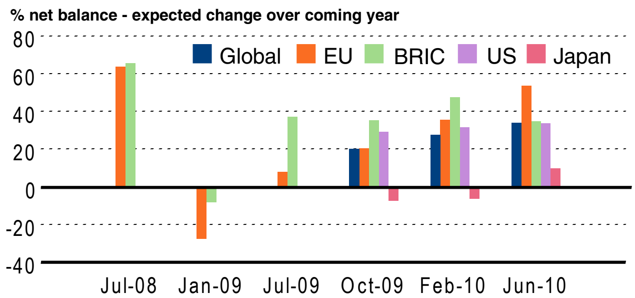
Other Manufacturing

"Shortage of raw materials leading to lengthening delivery times"

Chemicals & Plastics

Global Input Prices - By Area/Country*

	Global	EU	BRIC	US	Japan
Oct '09	**+20.3**	+20.6	+35.4	+29.1	-7.3
Feb '10	**+27.6**	+35.6	+47.5	+31.6	-6.5
Jun '10	**+34.1**	+53.8	+34.9	+33.7	+9.9



*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
Oct '09	+12.4	+28.1	+13.4	+22.0	-2.4	+41.1	+24.8	+15.9	+28.6
Feb '10	+20.7	+40.5	+15.0	+40.9	+15.0	+45.9	+42.2	+17.1	+30.0
Jun '10	+38.9	+40.7	+30.7	+37.9	+21.8	+47.1	+30.7	+35.9	+42.8

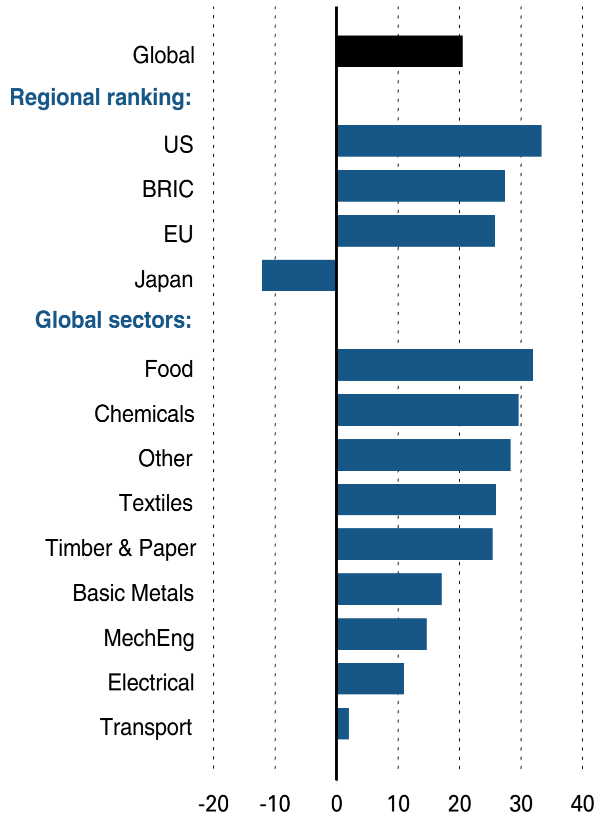
Global Output Prices – Manufacturing

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.

- Output prices in the global manufacturing sector are forecast to rise during the next twelve months, as signaled by a net balance of +20.5.
- Manufacturers in the US are the most optimistic regarding charges, with June's net balance of +33.3 the highest of the past three outlook periods.
- In the BRIC region, expectations for output price inflation have eased since February (+27.4 from +32.5).
- EU firms are much more confident of raising their selling prices than was the case in the previous survey. The net balance has increased sharply from +7.6 to +25.7.
- However, Japanese manufacturers continue to expect declining output prices (-12.1).
- Pricing power is set to be strongest in the Food & Drink sector (+32.0).
- The weakest growth of output prices is anticipated by Transport firms (+2.0).

Global Output Prices - June 2010

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



Comment from panellists:

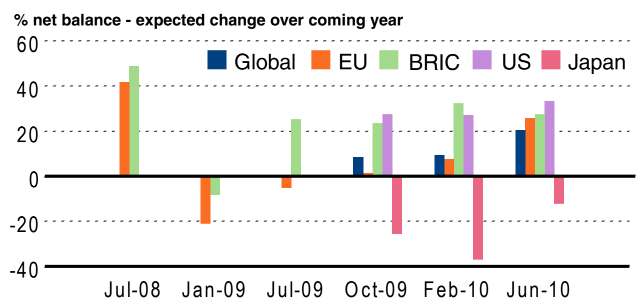
"Better customer demand aids our pricing power"
Textiles & Clothing

"Passing on higher raw material costs to customers"
Timber & Paper

"Competition is fierce"
Timber & Paper

Global Output Prices - By Area/Country*

	Global	EU	BRIC	US	Japan
Oct '09	**+8.6**	+1.6	+23.5	+27.6	-25.5
Feb '10	**+9.4**	+7.6	+32.5	+27.1	-37.0
Jun '10	**+20.5**	+25.7	+27.4	+33.3	-12.1



*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
Oct '09	+8.7	+21.9	-1.6	+8.7	+2.1	+12.3	+12.2	-0.8	+18.9
Feb '10	+15.0	+22.6	-2.5	+24.7	+11.4	+24.0	+17.4	-4.0	+15.5
Jun '10	+32.0	+26.0	+11.0	+29.6	+2.0	+25.4	+17.1	+14.6	+28.3

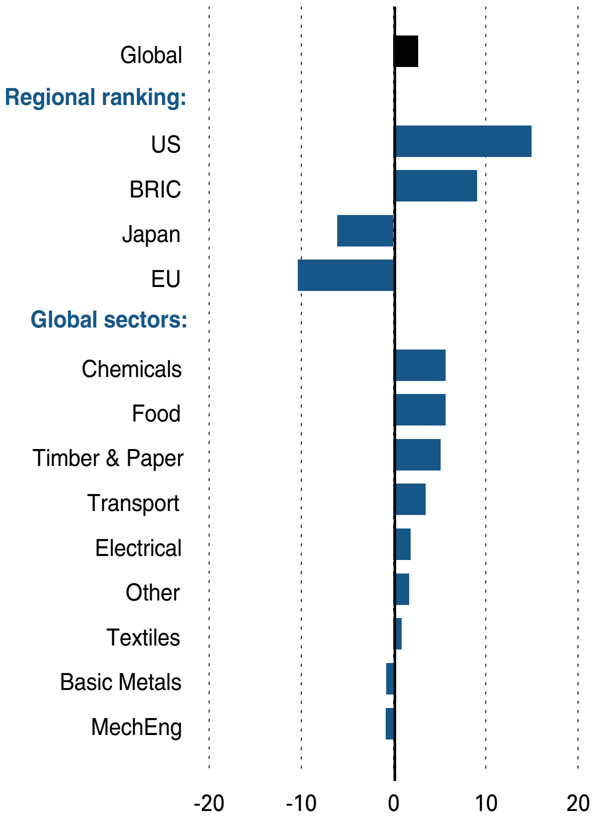
Global Inventory: Output Ratio – Manufacturing

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.

- Manufacturers across the globe anticipate a modest increase in their inventories as a proportion of output during the coming year (+2.7).
- Restocking plans are in contrast to expectations for a decline in each of the previous two outlook surveys.
- The strongest growth of inventories is forecast in the US, where the net balance has risen from +5.1 to +15.0.
- BRIC manufacturers are also more confident regarding stocks than they were in February (+9.1 from +3.4).
- Reductions in inventories as a proportion of output are expected in the EU (-10.4) and Japan (-6.1).
- Inventory building is set to be strongest in the Food & Drink and Chemicals & Plastics sectors (as signaled by net balances of +5.6).
- Marginal declines are expected in the Basic Metals and Mechanical Engineering sectors.

Global Inventory:Output Ratio - June 2010

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



Comment from panellists:

"Building stocks to take advantage of increase in market demand"

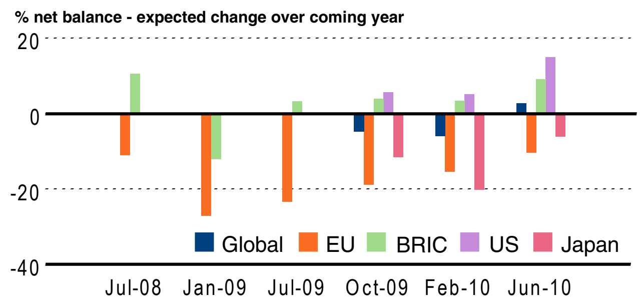
Mechanical Engineering

"Cost considerations mean we maintain lean stock levels"

Mechanical Engineering

Global Inventory: Output Ratio - By Area/Country*

	Global	EU	BRIC	US	Japan
Oct '09	**-4.8**	-18.9	+3.8	+5.7	-11.6
Feb '10	**-6.0**	-15.4	+3.4	+5.1	-20.3
Jun '10	**+2.7**	-10.4	+9.1	+15.0	-6.1



*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
Oct '09	+0.5	+1.4	-4.8	-7.3	-10.7	+6.5	+1.9	-15.2	+2.3
Feb '10	-10.7	+7.2	-4.1	-3.7	-13.7	+0.8	-7.5	-5.4	+3.9
Jun '10	+5.6	+0.9	+1.8	+5.6	+3.5	+5.1	-0.8	-0.8	+1.7

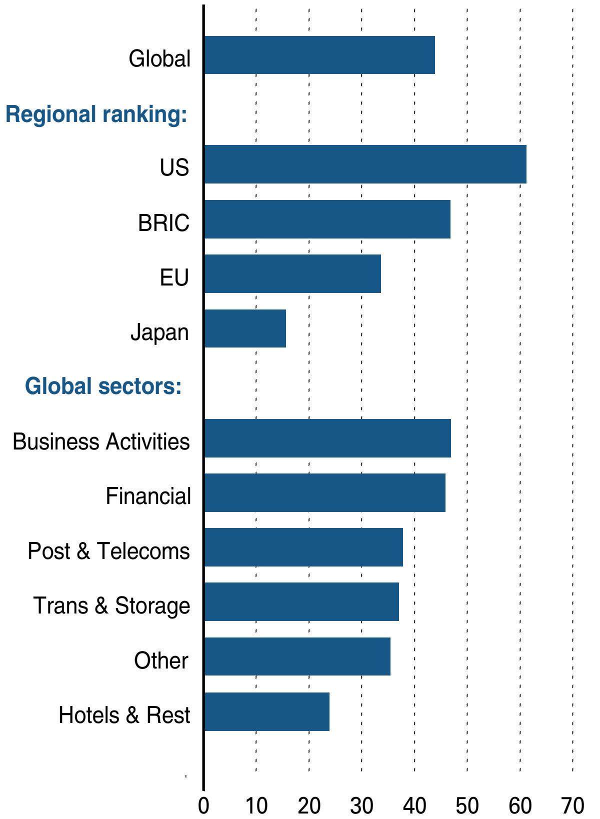
Global Business Activity – Services

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.

- A net balance of +43.9 in June indicates that expectations regarding future business activity in the global service sector are broadly unchanged since February (when the net balance registered +44.0).
- Confidence remains highest in the US, where the net balance has improved slightly from +60.3 to +61.2.
- BRIC service providers are less optimistic than was the case in the previous two outlook periods, but still anticipate a marked increase in activity (+46.8).
- The net balance for the EU is +33.6, signaling solid expected growth of activity, although this figure is the lowest since April 2009.
- Japanese companies are more positive regarding activity in the next twelve months compared with the last two surveys.
- Firms in the Renting & Business Activities sector are the most confident regarding future activity (+46.9).
- Financial Intermediation companies are also highly optimistic (+45.9).

Global Business Activity - June 2010

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



Comment from panellists:

"Recovering economic situation"

Post & Telecommunications

"The marketplace for our business is starting to grow again"

Transport & Storage

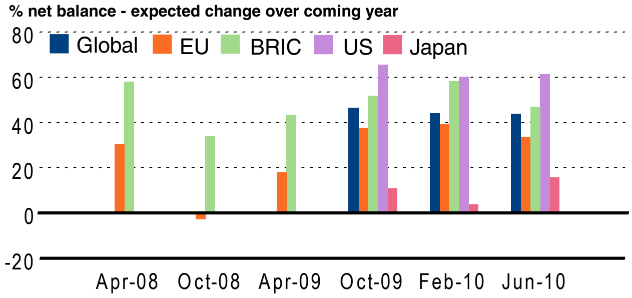
"Improved lending conditions and the current low interest rates are crucial to maintaining business levels"

Renting & Business Activities

Global Business Activity - By Area/Country*

	Global	EU	BRIC	US	Japan
Oct '09	**+46.5**	+37.7	+51.9	+65.6	+10.8
Feb '10	**+44.0**	+39.5	+58.3	+60.3	+3.9
Jun '10	**+43.9**	+33.6	+46.8	+61.2	+15.6

% net balance - expected change over coming year



*Data for Japan and US first collected October 2009

Global Business Activity - By Sector

	Post & Telecomms	Transport & Storage	Renting & Business Activities	Hotels & Restaurants	Financial Intermediation	Other
Oct '09	+52.8	+45.7	+50.6	+32.0	+34.8	+39.2
Feb '10	+47.6	+48.7	+47.7	+32.3	+48.6	+33.6
Jun '10	+37.9	+37.1	+46.9	+23.9	+45.9	+35.5

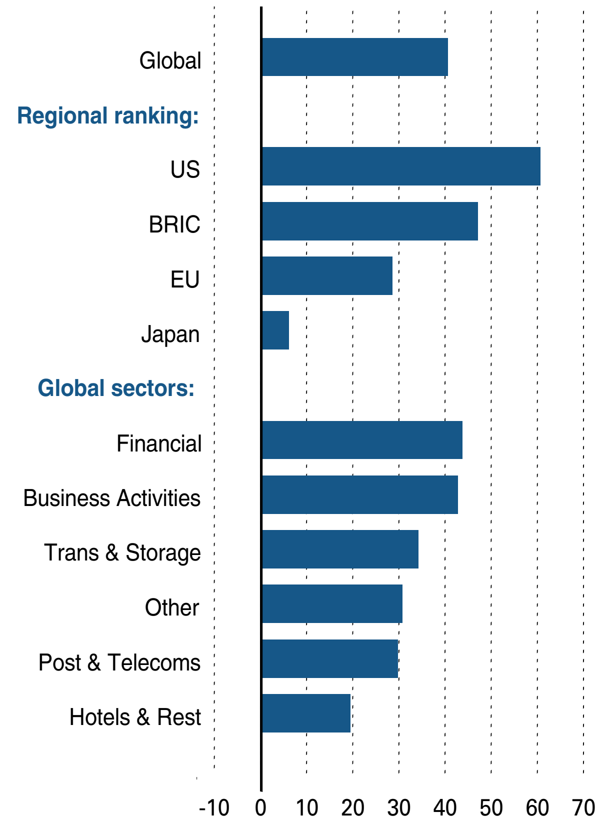
Global Business Revenues – Services

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.

- Business revenues in the global service sector are predicted to increase at a solid pace during the coming year.
- June's net balance of +40.7 is up from +37.9 in February.
- Growth of revenues is expected to be strongest in the US (+60.7).
- A marked rise in business revenues is forecast in the BRIC area, although the latest net balance of +47.2 is the lowest since April 2009.
- EU firms continue to anticipate a solid rise in revenues (+28.6).
- Following pessimism in the previous two outlook surveys, Japanese service providers are now mildly optimistic regarding future revenues (+6.2).
- Growth of revenues is expected across all six categories of service provision, led by Financial Intermediation and Renting & Business Activities.

Global Business Revenues - June 2010

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



Comment from panellists:

"More activities, more customers"

Hotels & Restaurants

"Increase in passenger flow"

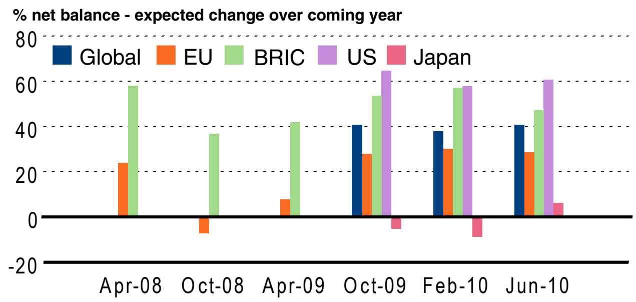
Transport & Storage

"Additional tourism in the next few months"

Other Services

Global Business Revenues - By Area/Country*

	Global	EU	BRIC	US	Japan
Oct '09	**+40.7**	+27.9	+53.5	+64.7	-5.2
Feb '10	**+37.9**	+30.1	+57.2	+57.8	-8.7
Jun '10	**+40.7**	+28.6	+47.2	+60.7	+6.2



*Data for Japan and US first collected October 2009

Global Business Revenues - By Sector

	Post & Telecomms	Transport & Storage	Renting & Business Activities	Hotels & Restaurants	Financial Intermediation	Other
Oct '09	+40.7	+41.3	+43.1	+25.5	+32.7	+33.8
Feb '10	+35.9	+43.1	+40.6	+20.6	+44.6	+25.0
Jun '10	+29.8	+34.3	+42.8	+19.6	+43.8	+30.9

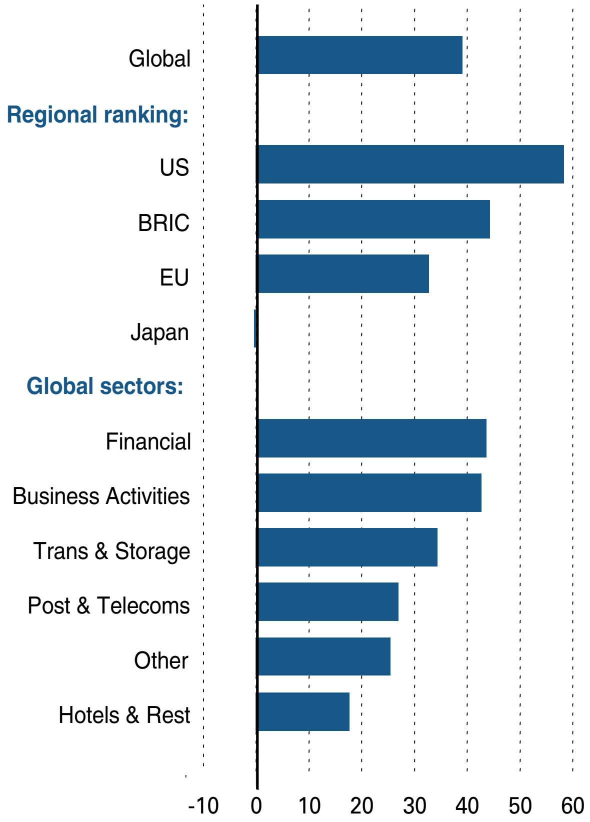
Global New Business – Services

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

- The global net balance for new business has eased for the second outlook period running, but remains indicative of expectations for solid growth (+39.1).
- Companies in the US expect the strongest expansion in incoming new work, with June's net balance improving slightly to +58.4 from +57.8 in February.
- BRIC firms' expectations regarding new business remain highly positive despite easing to the lowest since April 2009.
- New business is set to rise at a solid pace in the EU, although the latest net balance of +32.8 is lower than in the previous two survey periods.
- Forecasts for new business in Japan remain marginally negative for the second outlook survey in succession (-0.3).
- All six broad sectors post positive net balances for new business in June.
- The sharpest increases are anticipated by firms in the Financial Intermediation and Renting & Business Activities categories.

Global New Business - June 2010

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



Comment from panellists:

"Increase in market share as our product quality continues to improve"

Renting & Business Activities

"A number of our competitors have not survived the recession, so there should be more opportunities available"

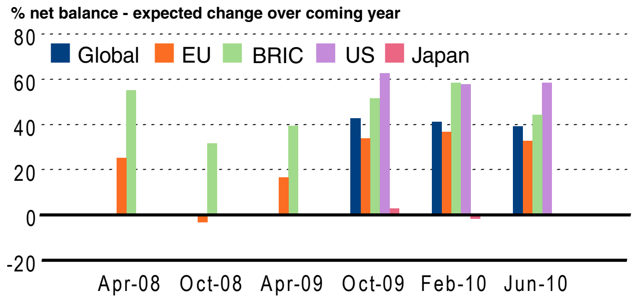
Renting & Business Activities

"Greater exploitation of e-commerce"

Other Services

Global New Business - By Area/Country*

	Global	EU	BRIC	US	Japan
Oct '09	**+42.7**	+33.8	+51.6	+62.8	+2.8
Feb '10	**+41.2**	+36.9	+58.5	+57.8	-1.6
Jun '10	**+39.1**	+32.8	+44.3	+58.4	-0.3



*Data for Japan and US first collected October 2009

Global New Business - By Sector

	Post & Telecomms	Transport & Storage	Renting & Business Activities	Hotels & Restaurants	Financial Intermediation	Other
Oct '09	+52.1	+44.9	+46.9	+19.6	+36.2	+35.2
Feb '10	+49.6	+48.0	+47.0	+26.2	+39.8	+27.6
Jun '10	+27.0	+34.4	+42.6	+17.7	+43.6	+25.5

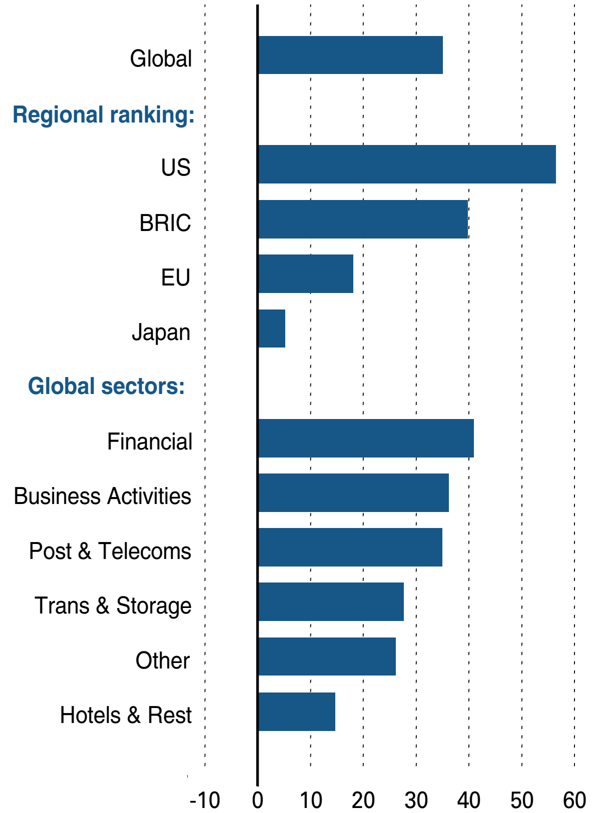
Global Profits – Services

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.

- Global services firms continue to forecast solid growth of profitability during the coming year, with June's net balance of +35.1 little-changed on the previous two survey readings.
- The strongest increase in profits is expected in the US, where the net balance has edged up from +55.3 to +56.5.
- In the BRIC region, profits forecasts have been revised down somewhat since February. The latest net balance of +39.8 is the lowest since April 2009.
- EU service providers' expectations regarding profits remain moderately optimistic (+18.1).
- Expectations have risen slightly in Japan but remain much more subdued than in the other major economic regions.
- Financial Intermediation companies are the most bullish regarding future profitability.
- Hotels & Restaurants anticipate the slowest increase in profits.

Global Profits - June 2010

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



Comment from panellists:

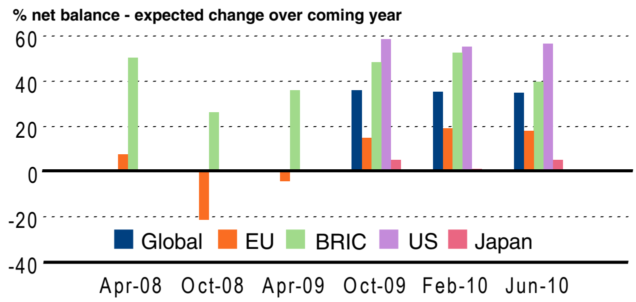
"Being able to reduce overheads, and offer top quality service, will keep us competitive and profitable"
Other Services

"Dropping unprofitable markets and scale-down to service only profitable activity"
Financial Intermediation

"Looking to develop new product and markets"
Renting & Business Activities

Global Profits - By Area/Country*

	Global	EU	BRIC	US	Japan
Oct '09	**+36.2**	+15.0	+48.5	+58.7	+5.2
Feb '10	**+35.5**	+19.2	+52.6	+55.3	+1.3
Jun '10	**+35.1**	+18.1	+39.8	+56.5	+5.2



*Data for Japan and US first collected October 2009

Global Profits - By Sector

	Post & Telecomms	Transport & Storage	Renting & Business Activities	Hotels & Restaurants	Financial Intermediation	Other
Oct '09	+52.5	+34.7	+39.3	+7.3	+40.9	+26.8
Feb '10	+47.8	+35.0	+40.9	+19.5	+44.2	+27.8
Jun '10	+35.0	+27.7	+36.1	+14.7	+40.9	+26.2

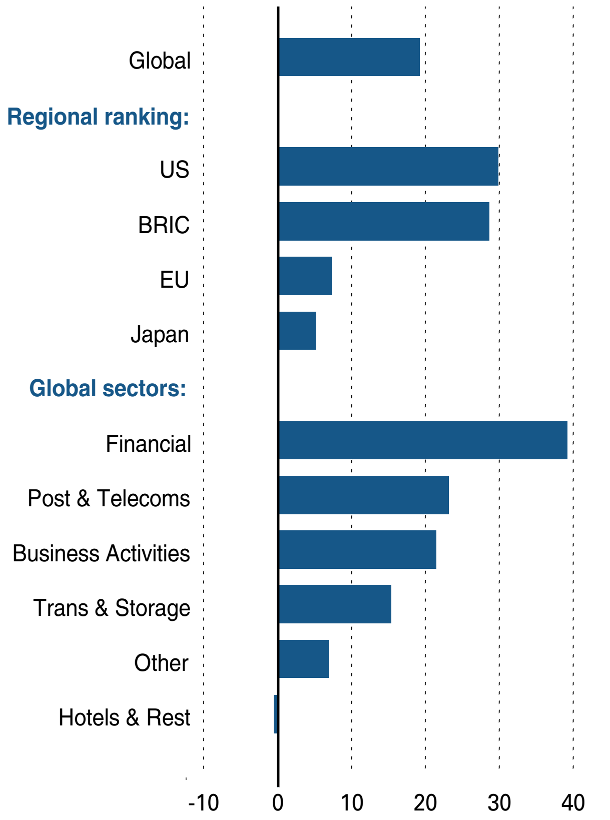
Global Employment – Services

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.

- Expectations regarding employment in the global service sector have improved slightly for the second survey period in succession.
- A net balance of +19.3 firms expect growth of staffing levels during the next twelve months.
- Hiring intentions are strongest in the US, where the net balance has risen from +28.3 to +29.9.
- Solid growth of employment is anticipated in the BRIC area, although June's net balance of +28.7 is the lowest since April 2009.
- A moderate rise in staffing levels is expected by service providers in the EU, where the net balance has increased to its highest for five survey periods at +7.4.
- The net balance for Japan has turned positive (+5.2) following negative readings in the past two outlook surveys.
- Growth of payroll numbers is forecast to be strongest in the Financial Intermediation sector.

Global Employment - June 2010

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



Comment from panellists:

"Tax incentives for new jobs, training etc"
Hotels & Restaurants

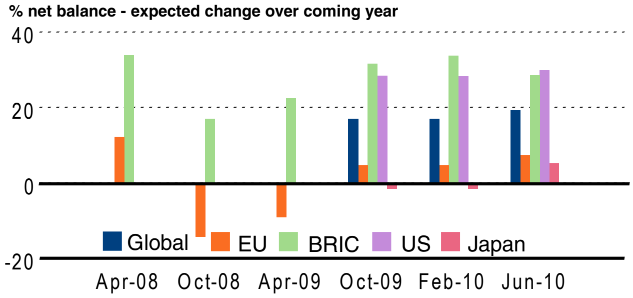
"Expanding our sales team"
Transport & Storage

"Lack of educated/skilled staff"
Financial Intermediation

Global Employment - By Area/Country*

	Global	EU	BRIC	US	Japan
Oct '09	**+16.9**	+4.6	+31.5	+28.4	-1.6
Feb '10	**+17.1**	+4.7	+33.8	+28.3	-1.6
Jun '10	**+19.3**	+7.4	+28.7	+29.9	+5.2

% net balance - expected change over coming year



*Data for Japan and US first collected October 2009

Global Employment - By Sector

	Post & Telecomms	Transport & Storage	Renting & Business Activities	Hotels & Restaurants	Financial Intermediation	Other
Oct '09	+14.1	+13.6	+22.7	+11.3	+15.1	+9.4
Feb '10	+29.1	+21.8	+20.9	+12.9	+22.9	-0.2
Jun '10	+23.2	+15.4	+21.5	-0.5	+39.3	+6.9

Global Capital Expenditure – Services

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.

- Service providers globally maintain expectations for moderate growth of capital expenditure over the coming year (+13.4).
- BRIC firms are the most confident, although June's net balance of +31.6 is down from +38.9 in February.
- Expectations have also slipped in the US, but Japanese firms are more confident about capex than was the case in the previous survey.
- Forecasts for capital spending in the EU are positive for the first time since April 2008. However, a net balance of +1.8 signals only marginal optimism.
- Post & Telecommunications companies predict the strongest growth of capex in the next twelve months. The latest net balance of +26.5 is up markedly from +5.4 in February.
- Firms in the 'Other Services' category are the least confident regarding capital expenditure (+7.8).

Global Capital Expenditure - June 2010

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

Comment from panellists:

"Further investment in new technology offering potential opportunities in new markets"

Renting & Business Activities

"Purchasing new equipment to allow us to expand our service provision"

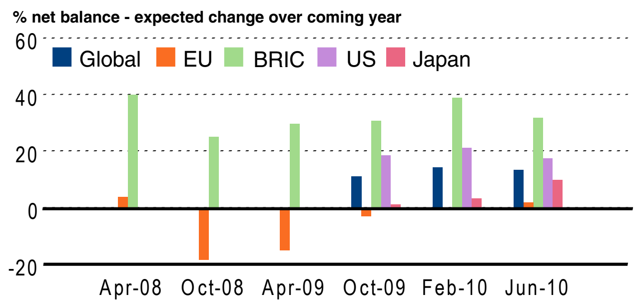
Other Services

"New technology and process changes"

Transport & Storage

Global Capital Expenditure - By Area/Country*

	Global	EU	BRIC	US	Japan
Oct '09	**+10.9**	-2.8	+30.6	+18.3	+1.2
Feb '10	**+14.1**	-0.1	+38.9	+21.1	+3.2
Jun '10	**+13.4**	+1.8	+31.6	+17.3	+9.8



*Data for Japan and US first collected October 2009

Global Capital Expenditure - By Sector

	Post & Telecomms	Transport & Storage	Renting & Business Activities	Hotels & Restaurants	Financial Intermediation	Other
Oct '09	+8.7	+10.9	+12.6	+8.0	+11.5	+8.6
Feb '10	+5.4	+19.9	+13.9	+6.9	+20.9	+1.8
Jun '10	+26.5	+12.8	+14.5	+12.3	+18.3	+7.8

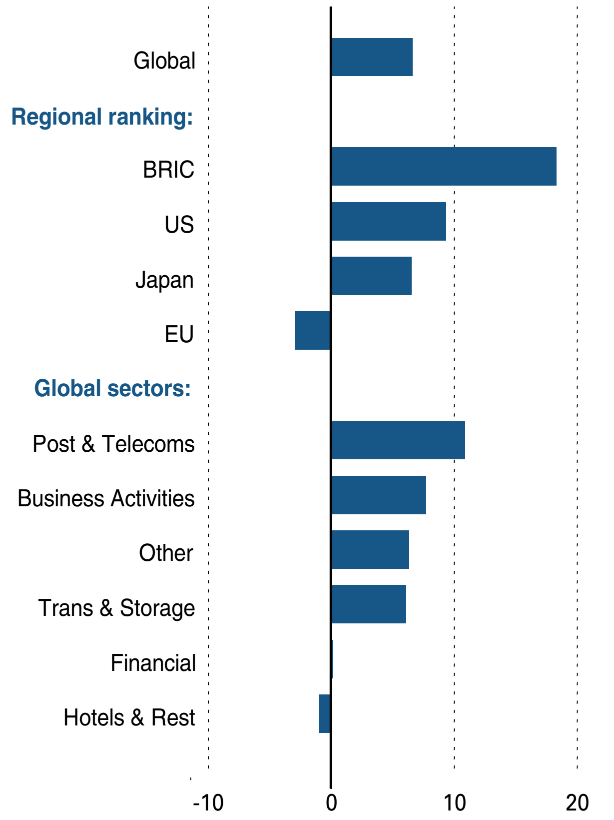
Global Outsourcing – Services

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.

- Service providers across the globe expect a modest increase in the value of work they outsource during the next twelve months.
- June's net balance of +6.6 is up slightly from +4.2 in February.
- BRIC companies anticipate the fastest rise in outsourcing (+18.3).
- Expectations are mildly positive in the US (+9.3) and Japan (+6.5).
- However, EU service providers expect a slight drop in the value of work they outsource (-2.9).
- Post & Telecommunications firms predict the sharpest rise in outsourcing (+10.9).
- Hotels & Restaurants is the only category where a decline is expected (-1.0).

Global Outsourcing - June 2010

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



Comment from panellists:

"We are expecting to increase our use of subcontractors"

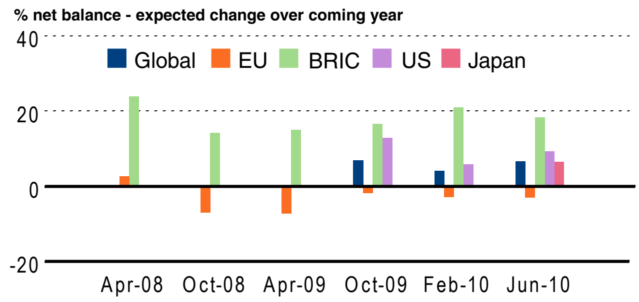
Other Services

"May outsource some of our activities"

Renting & Business Activities

Global Outsourcing - By Area/Country*

	Global	EU	BRIC	US	Japan
Oct '09	**+7.0**	-1.8	+16.6	+12.8	0.0
Feb '10	**+4.2**	-2.9	+21.0	+5.9	+0.3
Jun '10	**+6.6**	-2.9	+18.3	+9.3	+6.5



*Data for Japan and US first collected October 2009

Global Outsourcing - By Sector

	Post & Telecomms	Transport & Storage	Renting & Business Activities	Hotels & Restaurants	Financial Intermediation	Other
Oct '09	-1.3	+8.1	+10.2	+2.0	+3.2	+4.7
Feb '10	+2.1	+5.9	+7.3	-6.7	+10.8	+9.2
Jun '10	+10.9	+6.1	+7.7	-1.0	+0.2	+6.3

Global Input Costs (Total) – Services

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

- Expectations for total input price inflation have increased since February, as signaled by a rise in the net balance from +18.7 to +23.0 in June.
- The sharpest rise in costs is forecast in the BRIC area, although the latest net balance of +35.9 is the lowest since April 2009.
- EU companies anticipate a stronger rise in input prices than was the case in February. The latest net balance of +28.4 is the highest in the past five outlook periods.
- Service providers in the US have revised up their forecasts for cost inflation, as indicated by a rise in the net balance from +19.8 to +24.3.
- Input prices in Japan are expected to rise modestly (+5.5), in contrast to negative forecasts in the previous two outlook surveys.
- Costs are set to increase at the fastest pace in the Transport & Storage sector (+31.4).
- Post & Telecommunications firms expect the slowest rise in costs (+16.7).

Global Input Costs (Total) - June 2010

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

Comment from panellists:

"Increase in raw material costs"

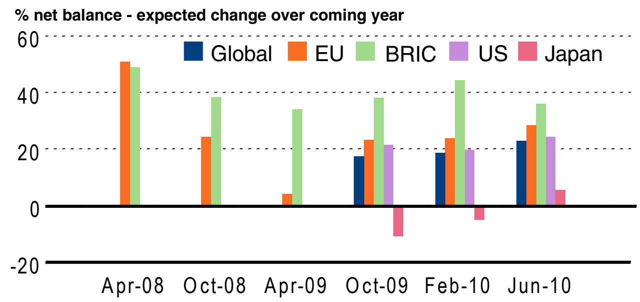
Transport & Storage

"Energy costs are a concern"

Hotels & Restaurants

Global Input Costs (Total) - By Area/Country*

	Global	EU	BRIC	US	Japan
Oct '09	**+17.6**	+23.3	+38.2	+21.6	-10.8
Feb '10	**+18.7**	+23.9	+44.5	+19.8	-4.9
Jun '10	**+23.0**	+28.4	+35.9	+24.3	+5.5



*Data for Japan and US first collected October 2009

Global Input Costs (Total) - By Sector

	Post & Telecomms	Transport & Storage	Renting & Business Activities	Hotels & Restaurants	Financial Intermediation	Other
Oct '09	+13.5	+19.6	+18.0	+27.3	+15.1	+17.3
Feb '10	+20.8	+26.4	+16.9	+17.4	+11.7	+5.7
Jun '10	+16.7	+31.4	+22.4	+23.0	+21.6	+21.9

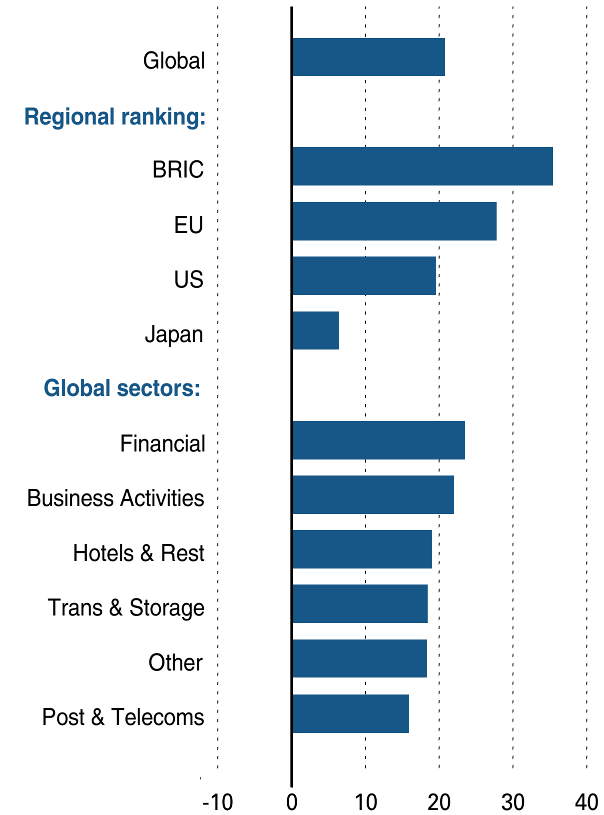
Global Input Costs (Staff) – Services

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

- The net balance for staff costs in the global service sector is +20.9 in June, higher than in the previous two outlook surveys.
- BRIC companies anticipate the sharpest increase in labor costs, although the net balance has eased from +38.8 to +35.5.
- EU firms also predict a slower rise in staff costs than was the case in February (+27.8 from +29.1).
- In the US, expectations for employment-related costs have increased, with the net balance rising from +15.2 to +19.6.
- Japan posts a positive net balance for the first time in three outlook surveys (+6.5).
- Companies in the Financial Intermediation sector anticipate the sharpest inflation of labor costs (+23.5).
- The slowest increase is expected in the Post & Telecommunications sector (+16.0).

Global Input Costs (Staff) - June 2010

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



Comment from panellists:

"Shortage of skilled technical labor in the local market raises costs"

Renting & Business Activities

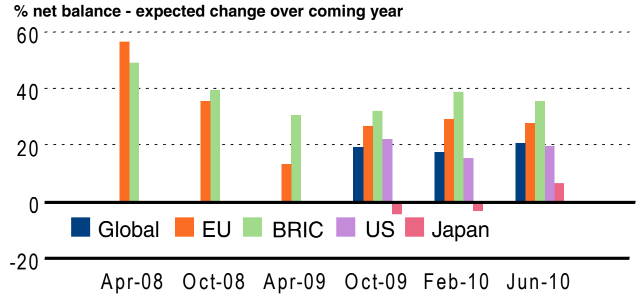
"Some upward wage pressure for certain skills in high demand"

Other Services

Global Input Costs (Staff) - By Area/Country*

	Global	EU	BRIC	US	Japan
Oct '09	**+19.3**	+26.9	+32.1	+22.0	-4.4
Feb '10	**+17.7**	+29.1	+38.8	+15.2	-3.2
Jun '10	**+20.9**	+27.8	+35.5	+19.6	+6.5

% net balance - expected change over coming year



*Data for Japan and US first collected October 2009

Global Input Costs (Staff) - By Sector

	Post & Telecomms	Transport & Storage	Renting & Business Activities	Hotels & Restaurants	Financial Intermediation	Other
Oct '09	+11.5	+21.6	+19.7	+18.8	+14.7	+26.9
Feb '10	+14.5	+19.9	+17.1	+18.9	+15.9	+9.9
Jun '10	+16.0	+18.4	+22.0	+19.1	+23.5	+18.4

Global Input Costs (Bought In) – Services

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

- Outsourcing costs in the global service sector are predicted to rise modestly in twelve months' time.
- June's net balance of +9.7 is up from +6.2 in February.
- The sharpest increase in outsourcing costs is forecast by BRIC service providers (+18.8).
- US companies anticipate a slightly more marked rise in the cost of bought in services than was the case in February (+11.2 from +8.4).
- The net balance for the EU is +8.7, the highest of the past four outlook periods.
- Japanese firms expect a marginal rise in outsourcing costs (+2.6), in contrast to the situation in the past two surveys.
- By sector, the fastest inflation is expected in Transport & Storage.
- Financial Intermediation is the only category where a decline is forecast.

Global Input Costs (Bought In) - June 2010

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

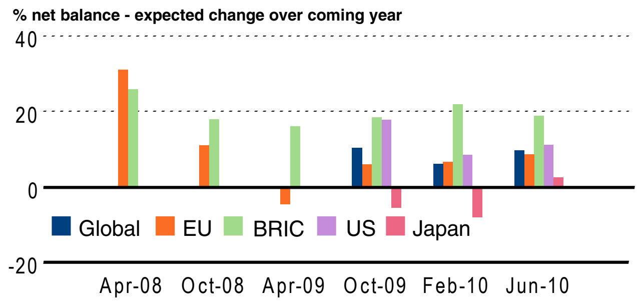
Comment from panellists:

"Increase in prices charged by external providers"
Transport & Storage

"Some contractors are dropping their tariffs"
Renting & Business Activities

Global Input Costs (Bought In) - By Area/Country*

	Global	EU	BRIC	US	Japan
Oct '09	**+10.4**	+5.9	+18.5	+17.9	-5.6
Feb '10	**+6.2**	+6.6	+22.0	+8.4	-8.1
Jun '10	**+9.7**	+8.7	+18.8	+11.2	+2.6



*Data for Japan and US first collected October 2009

Global Input Costs (Bought In) - By Sector

	Post & Telecomms	Transport & Storage	Renting & Business Activities	Hotels & Restaurants	Financial Intermediation	Other
Oct '09	+10.8	+13.4	+12.0	+3.4	+10.0	+16.3
Feb '10	+19.6	+10.2	+5.6	-2.4	+2.2	+4.9
Jun '10	+13.1	+17.9	+8.3	+9.4	-1.2	+12.5

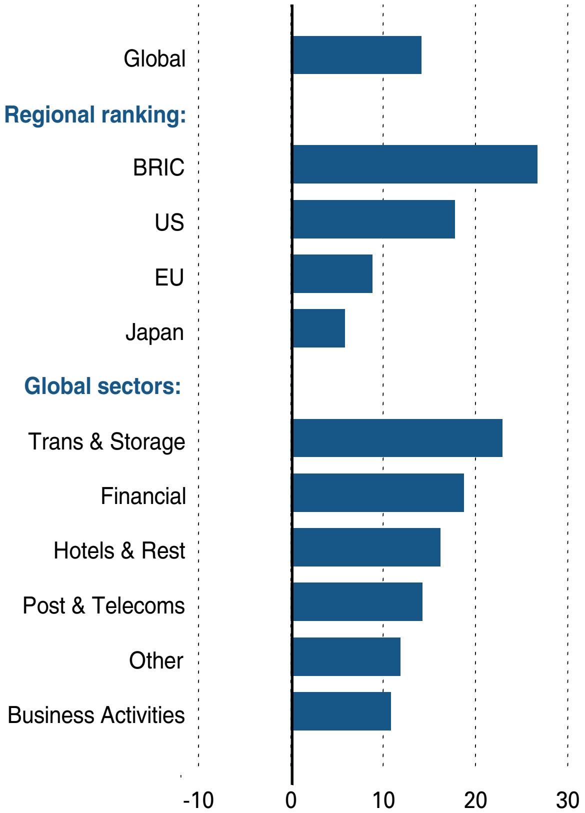
Global Input Costs (All Other) – Services

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

- Global service providers expect that all other non-staff costs will rise during the coming year.
- The latest net balance of +14.2 is up from +9.6 in February.
- Inflation is set to be highest in the BRIC area, although expectations have eased since the previous survey (+26.8 from +31.7).
- However, US firms now predict a sharper rise (+17.8 from +12.2).
- EU companies continue to anticipate a moderate increase in all other non-staff costs (+8.8).
- Expectations in Japan have turned positive for the first time in there survey periods (+5.9).
- The strongest inflation is forecast in the Transport & Storage sector (+22.9).
- The weakest increase is set to occur in Renting & Business Activities (+10.9).

Global Input Costs (All Other) - June 2010

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



Comment from panellists:

"Food prices are rising"

Hotels & Restaurants

"Elevated commodity prices"

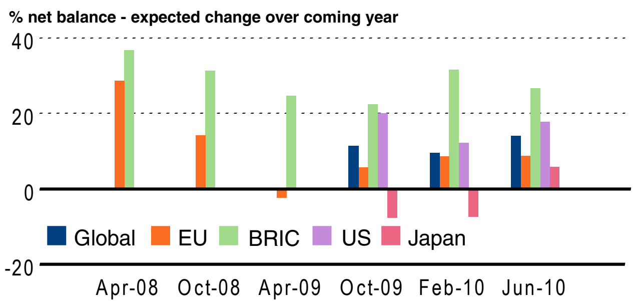
Transport & Storage

"Increase in rent of facilities"

Hotels & Restaurants

Global Input Costs (All Other) - By Area/Country*

	Global	EU	BRIC	US	Japan
Oct '09	**+11.4**	+5.8	+22.6	+20.2	-7.6
Feb '10	**+9.6**	+8.7	+31.7	+12.2	-7.4
Jun '10	**+14.2**	+8.8	+26.8	+17.8	+5.9



*Data for Japan and US first collected October 2009

Global Input Costs (All Other) - By Sector

	Post & Telecomms	Transport & Storage	Renting & Business Activities	Hotels & Restaurants	Financial Intermediation	Other
Oct '09	+13.1	+9.1	+12.9	+17.0	+13.6	+9.9
Feb '10	+18.8	+15.6	+5.9	+9.6	-0.8	+1.1
Jun '10	+14.2	+22.9	+10.9	+16.3	+18.7	+11.9

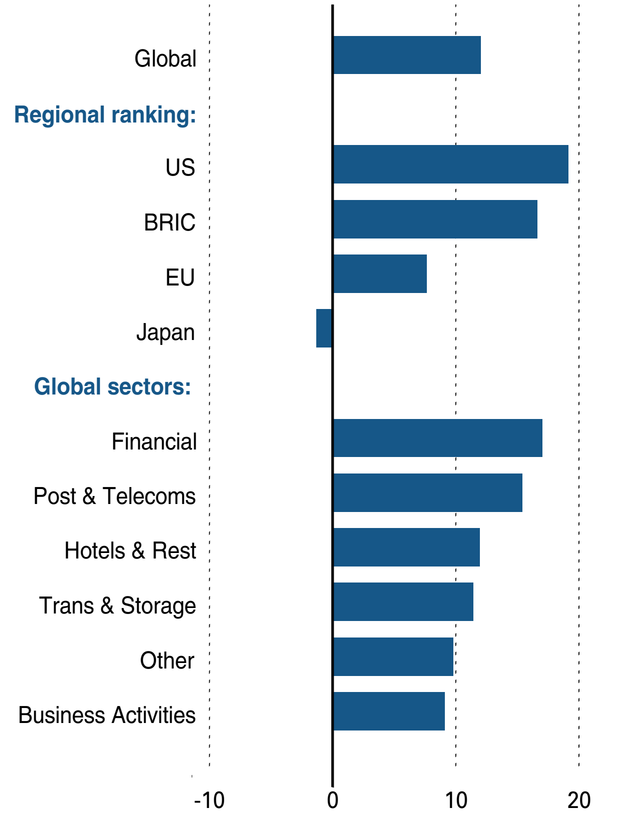
Global Prices Charged – Services

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

- Prices charged by service providers worldwide are set to rise at a slightly faster rate than was predicted in February.
- A net balance of +12.0 firms expect an increase in tariffs, up from +8.7.
- Service providers in the US are the most confident of raising their output prices (+19.2).
- BRIC companies continue to anticipate a moderate rate of charge inflation (+16.6).
- EU firms are the most optimistic regarding their pricing power since October 2008, with a net balance of +7.6.
- Japanese service providers anticipate a marginal reduction in their charges (-1.3).
- Financial Intermediation companies expect to raise their output prices to the greatest degree (+17.1).
- The slowest increase is forecast in the Renting & Business Activities sector (+9.1).

Global Prices Charged - June 2010

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



Comment from panellists:

"Competitive pressures remain intense"

Other Services

"Having to raise our charges in response to increasing costs"

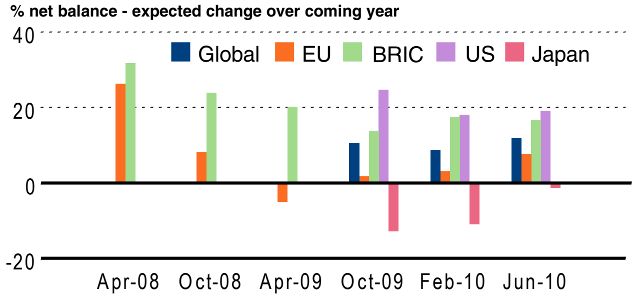
Hotels & Restaurants

"Higher costs cannot be passed on to customers"

Renting & Business Activities

Global Prices Charged - By Area/Country*

	Global	EU	BRIC	US	Japan
Oct '09	**+10.6**	+1.8	+13.9	+24.8	-12.8
Feb '10	**+8.7**	+3.1	+17.5	+18.1	-11.0
Jun '10	**+12.0**	+7.6	+16.6	+19.2	-1.3



*Data for Japan and US first collected October 2009

Global Prices Charged - By Sector

	Post & Telecomms	Transport & Storage	Renting & Business Activities	Hotels & Restaurants	Financial Intermediation	Other
Oct '09	+9.3	+14.9	+9.5	+19.5	+22.4	+10.0
Feb '10	+19.9	+10.5	+9.1	+6.7	+6.3	+1.1
Jun '10	+15.4	+11.4	+9.1	+12.0	+17.1	+9.8

About the survey

Background

The **Global Business Outlook Survey** for worldwide Manufacturing and Services is produced by Markit 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 Global 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 Global Business Outlook Survey** is identical in all countries that Markit 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 Global Business Outlook Survey. The current report is based on responses from around 6,200 firms.

Further Information

Contact Details

KPMG is a global network of professional firms providing Audit, Tax and Advisory services. We operate in 144 countries and have 140,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

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Markit 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.

For technical/data queries:

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