

News Release

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Accenture / S&P Global UK Business Outlook Report

UK business confidence lowest since 2009, latest Accenture / S&P Global survey finds

Key findings

UK headline index has fallen to its lowest of +18% since 2009, but remains much stronger than European peers

Employment still expected to rise, though firms lack confidence in finding skilled staff

Companies still expect a considerable rise in costs, with 80% of UK businesses forecasting higher wages

UK firms project falls in both capex and R&D over the coming 12 months

UK business confidence fell by -10% to its lowest level in at least 13 years in October, but was stronger than European peers, according to the latest Accenture / S&P Global UK Business Outlook.

At +18%, the net balance of manufacturing and service sector firms expecting activity to increase over the next 12 months was the lowest recorded since 2009. The latest results compared with net balances of +28% in June and +56% in February.

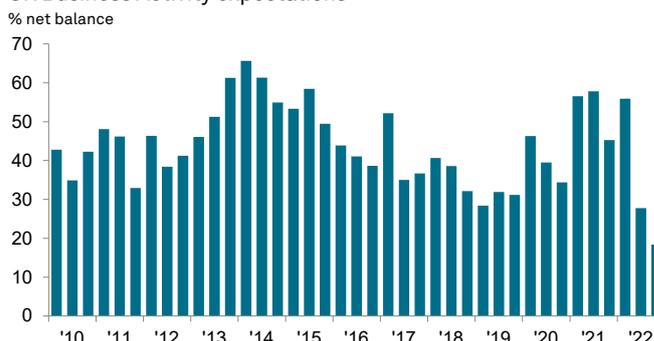
However, despite tough economic conditions, the business outlook maintained a positive projection, with around 41% of surveyed firms expecting output to rise, against nearly one-quarter (23%) that project a decline.

Nearly all (12) of the 14 sectors covered by the survey predicted growth, led by strong expectations among manufacturers of transport and electrical goods. Hospitality was the only industry to signal a pessimistic outlook, with fears of reduced customer spending and high energy costs.

UK companies were much more confident of a rise in activity than other countries in Europe (+4%), while firms in Germany and Spain gave negative projections for the next 12 months. The UK firms' outlook was also higher than the global average of 17%.

Inflationary pressures remain elevated, with 80% of

UK Business Activity expectations



Sources: Accenture, S&P Global.
Data were collected 12-28 October 2022.

Comment

Commenting on the survey, Simon Eaves, Market Unit Lead for Accenture in the UK & Ireland, said:

"As we head towards what is likely to be a tough winter for the UK economy, business confidence has understandably been shaken. However, many British companies continue to demonstrate resilience in the face of economic difficulties. Hiring plans remain positive and overall optimism, whilst muted, is higher than many of our European counterparts. During these challenging times, businesses should stay focused on the long-term and plan for the next growth cycle to remain competitive. They can do this by seeking to reinvent their operations across the whole enterprise, invest in new technologies and skills, and embed sustainability in everything they do."

firms expecting to raise their salaries over the next 12 months in light of the cost-of-living crisis and tight labour market conditions. Selling prices are also likely to rise sharply, albeit not quickly enough to offset a negative outlook for profits. Likewise, -13% of firms expect lower earnings over the next 12 months.

At the same time, pessimism about profits has led firms to plan reductions in both capital expenditure (capex) and research & development (R&D) spending. Capex and R&D forecasts were the lowest seen since the drop during COVID-19 in 2020, with net balances of -7% and -8%, respectively.

Concerns over hiring skilled staff persist

Employment is still expected to rise, although hiring intentions did fall to a two-year low. Sentiment among businesses on hiring the skills they need over the next 12 months remains broadly unchanged from 2021, although the proportion of firms lacking confidence has fallen marginally from 40% to 35%.

Only half of firms surveyed were confident about recruiting entry-level staff, while only 29% expect to find experienced candidates. Businesses are most likely to prioritise hiring employees with Operations (28%), Sales & Marketing (18%) and Digital skills (15%).

Profit forecasts are negative in most regions, but with investment planned across the North West and West Midlands

With profit forecasts widely downbeat, plans to reduce capital expenditure and R&D spending were also observed across most parts of the UK. Only businesses in the North West forecast higher levels of both capex and R&D spending in 12 months' time (+7%).

Businesses in the West Midlands also predict a strong balance of business activity against employment, of +17% and +15% respectively.

More widely, businesses across the UK expect activity levels to improve. Only businesses in Northern Ireland expect a fall in activity (net balance -12%), with a negative employment projection.

The full report and accompanying data are available on request from economics@ihsmarkit.com.



Sources: Accenture, S&P Global.



Sources: Accenture, S&P Global.

Survey methodology

The Global Business Outlook Survey for worldwide manufacturing and services is produced by S&P Global and is based on a survey of around 12,000 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 Accenture/S&P Global UK Business Outlook Survey is based on a panel of around 1,400 companies in the manufacturing, services and construction sectors.

Interest in the use of economic surveys for predicting turning points in economic cycles is ever increasing, and the Business Outlook survey uses an identical methodology across all nations covered. It gives a unique perspective on future business conditions from global manufacturers and service providers.

The methodology of the Business Outlook survey is identical in all countries that S&P Global operates. This methodology seeks to ensure harmonization of data and is designed to allow direct comparisons of business expectations across different countries. This provides a significant advantage for economic surveillance around the globe and for monitoring the evolution of the manufacturing and services economies by governments and the wider business community.

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

The Business Outlook survey uses net balances to indicate the degree of future optimism or pessimism for each of the survey variables. These net balances vary between -100 and 100, with a value of 0.0 signalling a neutral outlook for the coming twelve months. Values above 0.0 indicate optimism amongst companies regarding the outlook for the coming twelve months, while values below 0.0 indicate pessimism. The net balance figure is calculated by deducting the percentage number of survey respondents expecting a deterioration/decrease in a variable over the next twelve months from the percentage number of survey respondents expecting an improvement/increase.

Questionnaires are sent to a representative panel of around 12,000 manufacturing and services companies spread across the global economy in the countries mentioned above. Companies are carefully selected to ensure that the survey panel accurately reflects the true structure of each economy in terms of sectoral contribution to GDP, regional distribution and company size. This panel forms the basis for the survey. The current report is based on responses from around 8,000 firms.

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