

News Release

Embargoed until 0001 UTC 13 March 2023

S&P Global Business Outlook

Revival in global business confidence in February, but inflation set to remain elevated

Key findings

Business activity confidence at one-year high

Upward revisions in Europe and US, while sentiment in Mainland China hits decade high

Optimism strengthens across both manufacturing and services

Cost pressures set to remain elevated, with wage inflation expectations unchanged

Hiring plans revised up

The S&P Global Business Outlook Survey – based on responses from a panel of 12,000 companies between February 08-24 – signalled a revival in global business confidence in early-2023 as firms across a range of economies revised up their expectations for the year ahead. Higher activity is set to lead to further increases in employment, but wage pressures show little sign of abating, likely preventing any meaningful slowdown in selling price inflation. Elevated cost pressures also meant that any recovery in investment is predicted to be subdued.

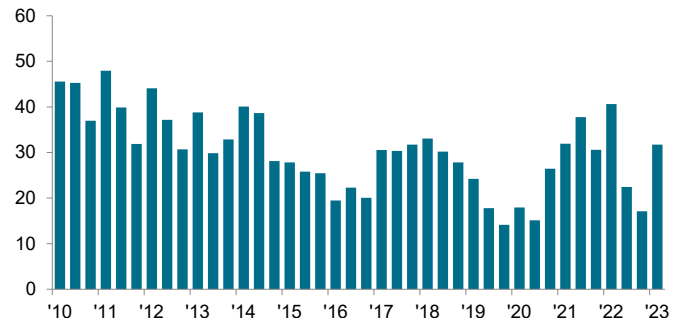
The net balance of companies worldwide predicting a rise in business activity over the coming year recovered sharply in February, rising to +32% from just +17% in the prior survey, conducted in October of last year. The improvement pushed confidence to a one-year high and a level broadly in line with the series average, having been among the lowest on record in the previous survey period.

The improvement in sentiment was mostly driven by those economies that saw the largest drop-offs in confidence towards the end of 2022, as demand conditions have since proved to be more resilient than had been anticipated. Output expectations hit one-year highs in the US, eurozone and UK. Meanwhile, mainland China saw sentiment around business activity rise to the highest for a decade amid the loosening of pandemic restrictions.

Only Japan, Brazil and India saw business confidence revised down from the previous outlook survey.

Global Business Activity expectations

% net balance



Source: S&P Global.

Data were collected 08-24 February 2023.

Comment

Commenting on the Global Business Outlook survey data, Andrew Harker, Economics Director at S&P Global Market Intelligence, said:

“The more positive economic news at the start of 2023 has been reflected in business expectations for the coming year, according to the latest S&P Global Business Outlook survey. Firms are much more optimistic than they were towards the end of last year amid signs that demand across Europe and the US has been more resilient than expected. Moreover, the loosening of pandemic restrictions in mainland China has given a further boost to the global economy - sentiment in mainland China itself hit a decade-high in February.

“One worry for policymakers from the latest survey is that firms do not see any rapid slowdown in inflationary pressures on the horizon. Expectations around input costs and selling prices remain at levels unseen prior to the current spike in inflation. In particular, wage expectations were unchanged from the previous survey as tight labour markets enable workers to negotiate pay rises in order to help them navigate cost of living pressures.

“The data flow in the coming months will be key to watch in assessing the degree to which businesses can retain their current optimism in the face of further interest rate rises.”

Stronger sentiment regarding future output was registered across both of the broad sectors covered by the survey. The net balances in manufacturing (+31%) and services (+32%) were both the highest since the February 2022 survey.

Wage inflation expectations unchanged

One of the less positive aspects of the February outlook survey was that inflationary pressures are expected to remain elevated over the coming year. This was particularly the case with regards to staff costs, where the net balance of expected cost growth was unchanged at +40%, only slightly weaker than the record of +45% posted a year ago.

Turning to non-staff costs, the net balance did come down to +30% in February from +34% in October and was the lowest since mid-2021. However, inflation expectations on this measure were still higher than at any point prior to October 2021 since the series began in 2009. Non-staff cost expectations came down sharply in Europe, especially in the eurozone, as well as in the US, but were revised up in Japan and in all four largest emerging markets bar Russia.

Further marked increases in input costs are set to feed through to higher selling prices over the coming year, with strengthening demand conditions helping to boost pricing power at firms. The output prices net balance was at +28% in February, down slightly from +30% last October but still higher than any seen prior to the current spell of elevated inflation. Inflation expectations softened to a slightly greater extent in the manufacturing sector than in services and remained especially elevated in the UK.

There was also a revival in profits expectations globally in February, led by the US, mainland China and UK. Profit sentiment in the eurozone was still slightly negative but less so than in October.

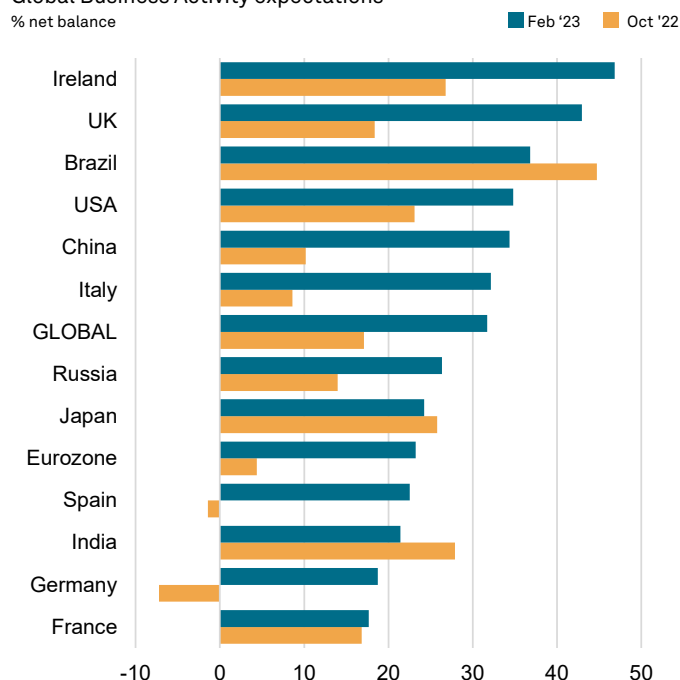
Hiring and investment plans revised up

In line with the picture for business activity, the global employment net balance improved to a one-year high in February, rising to +17% from +9% in October. While employment expectations improved across manufacturing and services, sentiment was stronger in the latter.

There was less of an upwards revision to projections for business investment with the inflationary environment leading to ongoing caution among firms. The net balances for both capital expenditure (+12%) and R&D spending (+7%) were in line with their respective averages. Investment expectations were generally stronger in emerging markets than in developed economies.

Manufacturers were more likely to predict increases in both R&D and capital spending than their service sector counterparts, expectations for both of which rose from the lows seen back in October to add to the brighter business outlook.

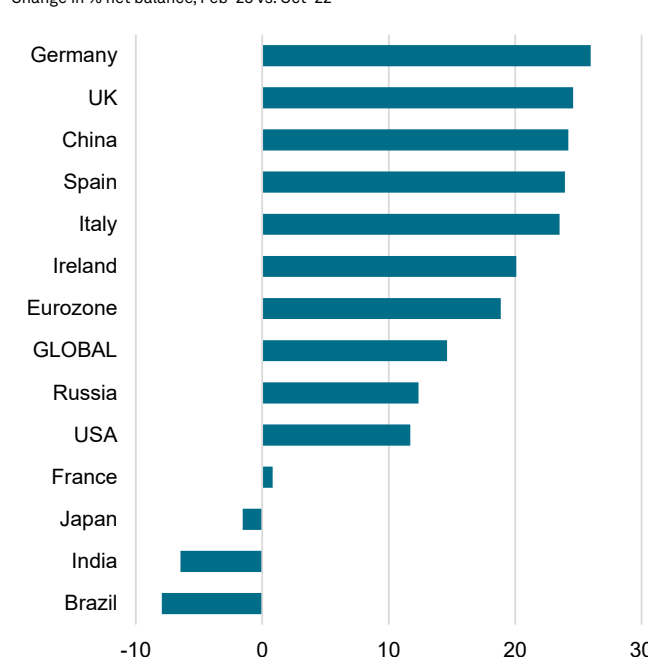
Global Business Activity expectations



Source: S&P Global.

Global Business Activity expectations

Change in % net balance, Feb '23 vs. Oct '22



Source: S&P Global.

Full data available on request from economics@ihsmarkit.com.

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.

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, 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 signalling a neutral outlook for the coming 12 months. Values above 0 indicate optimism amongst companies regarding the outlook for the coming 12 months while values below 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*. 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.

* The countries with manufacturing and service sector surveys are Brazil, China, France, Germany, India, Italy, Japan, Russia, Spain, the Republic of Ireland, the UK and the USA. Manufacturing data are collected for the Netherlands, Austria, Greece, Poland and the Czech Republic.

Contact

Andrew Harker
Economics Director
T: +44 149 146 1016
E: andrew.harker@spglobal.com

Katherine Smith
Public Relations
T: +1 781 301 9311
E: katherine.smith@spglobal.com

Chris Williamson
Chief Business Economist
T: +44-20-7260-2329
M: +44-779-5555-061
E: chris.williamson@spglobal.com

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, click [here](#).

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today. www.spglobal.com.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.