News Release

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S&P Global Business Outlook

Global business sentiment slumps to among lowest on record in October

Key findings

Optimism in year-ahead outlook weakest since June 2020

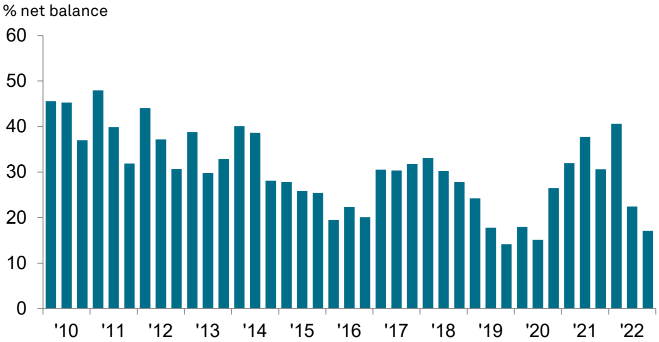
Outlook particularly downbeat in Europe

Plans for hiring and investment revised down again

Inflationary pressures predicted to remain elevated

Profitability set to stagnate

Global Business Activity expectations



Source: S&P Global.
Data were collected 06-27 October 2022.

The S&P Global Business Outlook Survey – based on responses from a panel of 12,000 companies between October 06-27 – pointed to a further deterioration in global business sentiment at the start of the final quarter of 2022. Confidence was at one of the lowest ebbs in 13 years of data collection amid a weakening demand environment and ongoing inflationary pressures. As such, firms revised down their forecasts for employment, investment and profits from the position in the summer.

The net balance of companies worldwide predicting a rise in business activity over the coming year dropped to +17% in October, down from +22% in June and falling further below the decade-high seen at the start of the year. Optimism was the lowest since the first wave of the COVID-19 pandemic and only slightly higher than the record low posted in late-2019.

The weakening of sentiment in October was particularly pronounced in Europe where the net balance for business activity dropped to just +4%, the lowest on record. Negative expectations were signalled in Germany and Spain, with only Ireland bucking the wider trend and seeing confidence strengthen since June.

Outside of Europe, confidence was generally revised down, but to lesser degrees. The US posted the weakest sentiment since June 2020, while in Mainland China confidence was the lowest since February 2020.

Comment

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

"The latest S&P Global Business Outlook survey points to a bleak year ahead for the global economy, with sentiment slumping in October to a level only just above that seen during the first wave of the pandemic. When this is combined with little sign of respite on the cost front, firms' profitability looks set to suffer. The knock-on effects are a further scaling back of hiring and investment plans as companies hunker down for the winter.

"These trends were particularly pronounced in Europe, where sentiment around activity was the lowest on record. Fears of recession in Europe will only be growing as the energy crisis, declining demand and severe cost pressures mean for a challenging winter ahead."

India and Russia meanwhile posted improvements in sentiment in October.

The deteriorating outlook was broad-based across the manufacturing and services sectors. Manufacturers (net balance: +13%) posted the lowest optimism on record, while in services (+19%) sentiment was the weakest since the June 2020 outlook survey.

Hiring and investment plans revised down

Weaker confidence around business activity meant that companies scaled back their plans for hiring, as well as investment in both capital and R&D. At +9%, the employment net balance was the lowest for two years. As was the case with activity, sentiment was weakest in Europe, with job cuts predicted in Germany, Italy and Spain. While hiring plans were revised up in emerging markets, the net balance was still only at +6%, suggesting a broadly stable employment picture over the coming year.

Sentiment around investment in both capital and R&D was revised down to the lowest since the first wave of the COVID-19 pandemic in 2020. Capex is set to rise only marginally over the coming year (net balance +9%), with firms in Europe set to leave capital expenditure unchanged. The R&D investment net balance was even lower at the global level (+2%), with firms in Europe and the US posting negative sentiment in October.

Inflation expectations remain elevated

October data provided little sign that inflationary pressures are set to dissipate, with net balances coming in only just below recent survey records.

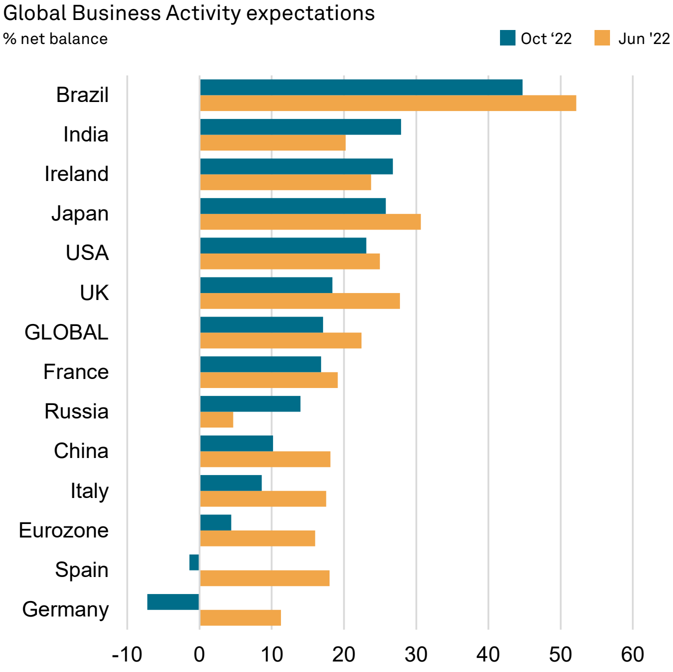
The net balance for non-staff costs was at +34% in October, down only slightly from the previous survey peak. In fact, the net balance in Europe increased amid record highs in the UK, Germany, Italy and France. Meanwhile, the net balance for staff costs globally came in at +40%.

The passing on of higher input costs to customers meant that the output prices net balance remained elevated at +30% in October, only slightly below February's record high. As was the case with input prices, inflation of selling charges looks set to be particularly pronounced in Europe.

For the first time since early-2016, service providers forecast a stronger rise in non-staff costs than manufacturers.

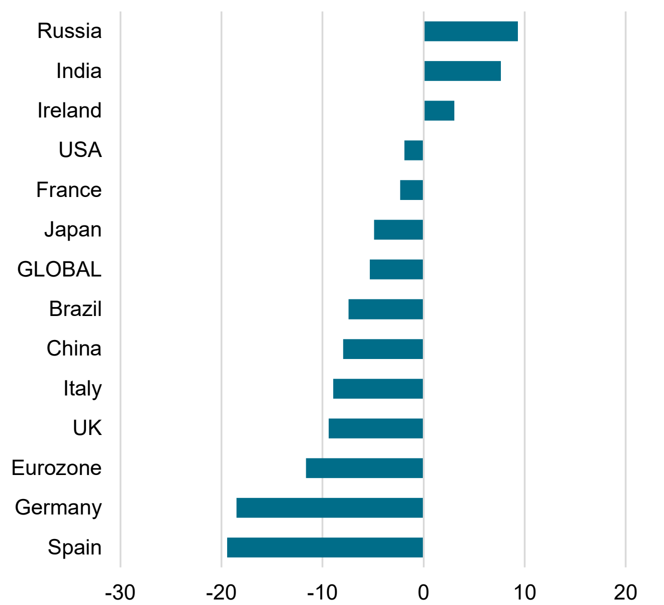
Profits were predicted to broadly stagnate by companies globally, with the net balance of +1% down from +3% in June. For the second survey running, manufacturers predicted a decline in profits, while slight optimism was recorded in services.

Global Business Activity expectations
% net balance



Source: S&P Global.

Global Business Activity expectations
Change in % net balance, Oct '22 vs. Jun '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 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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