

News Release

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S&P Global Business Outlook

Business confidence rises amid signs of economic conditions improving

Key findings

Confidence ticks higher in February

Sentiment up across both manufacturing and services

Optimism improves in the US, Eurozone, UK, India and Brazil, but falls in mainland China and Russia

Employment and investment plans remain muted globally

Selling price expectations stubbornly elevated

The S&P Global Business Outlook Survey – based on responses from a panel of 12,000 companies between February 02-27 – signalled a tentative improvement in global business confidence in the first quarter of 2024, with manufacturers and service providers alike more optimistic than they had been last October. Projections for employment and investment remained subdued, however, amid ongoing worries about the extent of profitability growth. There were some signs of cost pressures easing, but selling price inflation is set to remain broadly stable at a level elevated by pre-pandemic standards.

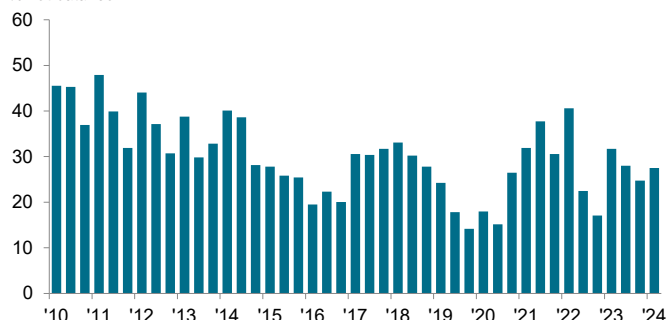
The net balance of companies worldwide predicting a rise in business activity over the coming year picked up to +28% in February from +25% last October, thereby signalling slightly stronger sentiment.

At the global level, confidence strengthened across both the manufacturing and services sectors, with net balances of +24% and +29% respectively. Service providers thus remained slightly more optimistic than their manufacturing counterparts.

The improvement in confidence was in large part reflective of a brighter picture in Europe where there are signs that the worst of the recent downturn has passed. All six monitored countries in Europe saw optimism strengthen in February. Firms in India were also more bullish in early-2024, registering the largest uplift in sentiment of all countries and posting the strongest outlook since 2014. Confidence also ticked higher in the US and Brazil, but cooled in both mainland

Global Business Activity expectations

% net balance



Source: S&P Global PMI.

Data were collected 02-27 February 2024.

Comment

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

“There was a renewed pick-up in sentiment among firms globally in the opening months of 2024. Signs that the worst of the downturn in the eurozone has passed supported improving optimism there, while sentiment continued to strengthen in the US and jumped higher in India amid sustained rapid economic growth. Wider economic conditions are thus becoming less of a hindrance to growth of business activity globally.

“Looking past the headline figures there are still some signs that business confidence is fragile, however, with only muted optimism signalled with regards to plans for jobs growth and business investment.

“There were some signs of input cost inflation softening, albeit with some notable ongoing wage pressures in the euro area and Japan.

“Output price inflation meanwhile is expected to remain somewhat stubbornly higher by standards seen prior to the pandemic, linked in part to the pass through of upward wage pressures, perhaps sounding a note of caution to those expecting central banks to be able to cut interest rates in the near future.”

China and Russia. Sentiment was unchanged in Japan.

Employment and investment plans remain subdued

Companies expect the positive outlook for business activity to feed through to increases in employment and investment over the year ahead, although plans in this regard remained subdued.

At +11% in February, the employment net balance was up only fractionally from +10% in October and remained below the average since the series began in October 2009. Hiring plans notably hit a three-year high in India and improved slightly in both the US and Europe on average, though Germany was the only economy to predict a fall in staffing levels over the coming year.

Capex plans were unchanged from the position in October (net balance: +8%), despite manufacturing firms seeing confidence in spending on capital expenditure improve slightly to a one-year high. As with employment, Germany was the only economy to express a pessimistic outlook for capex. More positively, capex plans in Japan were the second-highest on record.

The respective net balance for R&D expenditure ticked up to +5% in February and was broadly in line with the series average. Emerging markets (+11%) were more optimistic than developed markets (+2%). Manufacturers were more likely to express a positive outlook for R&D spending than their service sector counterparts (+12% versus +3%).

Selling price inflation expectations little changed

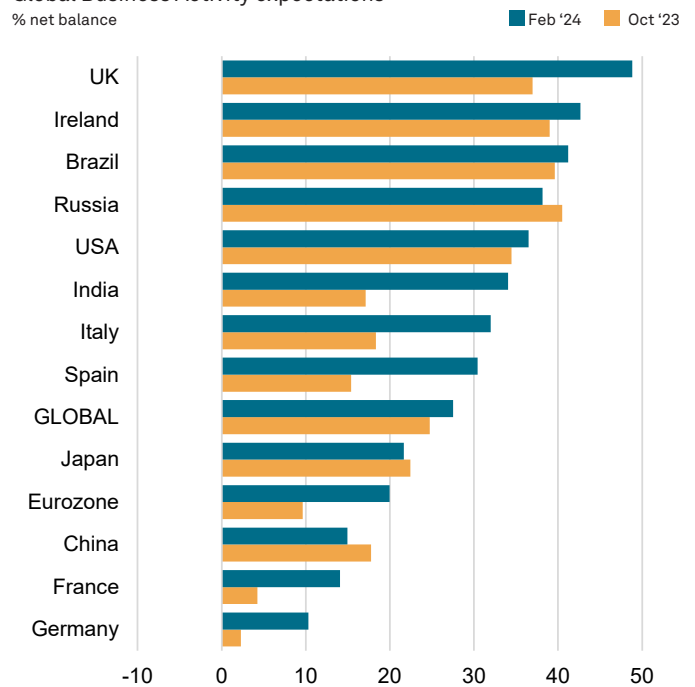
There were some signs of cost inflationary pressures easing in the latest outlook survey, though output price inflation is set to remain broadly stable and largely unchanged on that seen late last year. Encouragingly, the proportion of firms listing inflation as a threat to the outlook was at a three-year low.

The staff costs net balance dipped to +35% in February, the lowest since June 2021. Wage expectations in the US dropped to a three-year low, but staff cost pressures in the eurozone were more stubborn. In fact, the net balance ticked higher to +52%. Meanwhile, Japan posted the highest staff costs net balance since the series began in February 2019 (+54%).

Trends in non-staff cost expectations were more uniform geographically, with most economies seeing lower net balances than in October last year. That said, at +24%, the net balance globally was only down slightly from the previous outlook survey and remained above the series average (+19%).

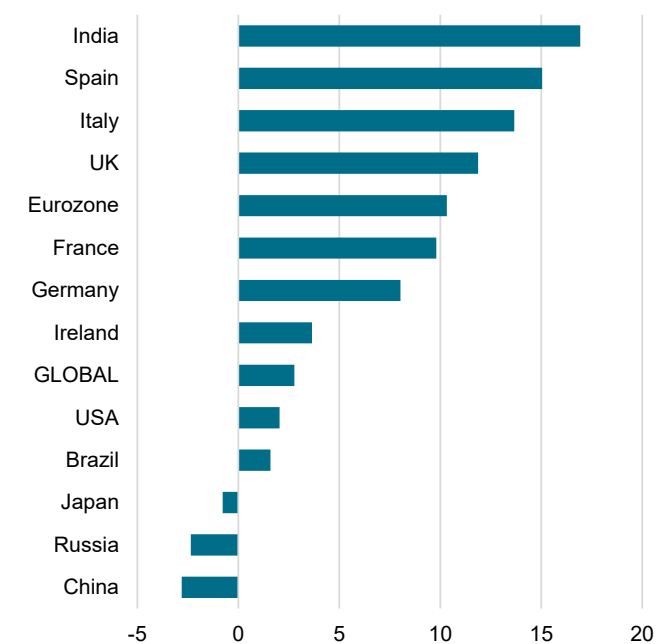
While there were some signs of cost pressures softening, this was not the case with regards to output prices where the net balance ticked up to +22% in February from +21% in October. Service providers were more likely to predict a rise in selling prices than

Global Business Activity expectations
% net balance



Source: S&P Global PMI.

Global Business Activity expectations
Change in % net balance, Feb '24 vs. Oct '23



Source: S&P Global PMI.

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

manufacturers.

Stable output price inflation and a pick-up in activity are set to support growth of profits over the coming year, with the net balance rising to +13% in February from +9%. Optimism strengthened in the US and emerging markets, but the eurozone continued to signal a negative outlook for profitability.

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.

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