

News Release

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Accenture / S&P Global UK Business Outlook Report

UK business confidence falls sharply, but remains highest in Europe, latest Accenture / S&P Global UK Business Outlook survey finds

Key findings

Headline index halves to joint-record low of +28%, but remains stronger than all other European countries surveyed

Firms project a decline in profits for the first time in the series history

Inflation drives a rise in staff costs and prices charged, although this shows signs of peaking

UK business confidence fell to a joint record low in June, but remains the most confident in Europe, and above the global trend, according to the latest Accenture / S&P Global UK Business Outlook.

Whilst the findings come amid global economic uncertainty, a net balance of 28% more private sector firms forecast their activity to increase over the coming year. This is half the level recorded in February (+56%), and the joint-lowest since the survey began in October 2009. Both the EU and global averages are below the UK at +16% and +22% respectively.

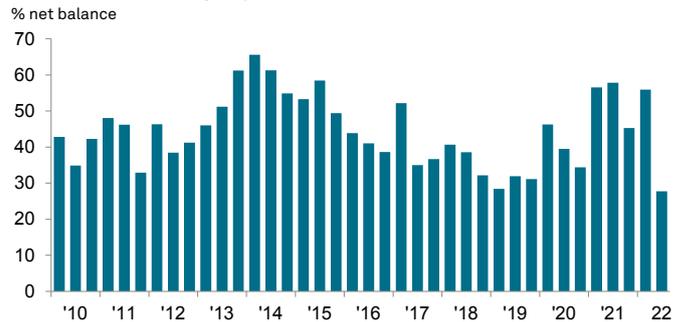
UK businesses also expect rapidly rising inflation, fuelled by increased energy costs, to drive down margins, as profit forecasts turned negative for the first time in the survey's history, at -2%.

The data reveals that companies are concerned that they will be unable to pass on higher costs to customers, with +59% of firms predicting an increase in their output charges - the second-highest on record, following a survey record of +62% in February.

Cost expectations remain high despite 3% fewer companies predicting a rise in staff wages, down from +83% to +80%. Manufacturers are relieved to see a decrease in supply chain challenges, reporting their lowest expectations for non-staff costs in 12 months.

Optimism is strongest among makers of electrical and transport goods (+63%), as firms praised new product opportunities, sustainable investment, and lower

UK Business Activity expectations



Sources: Accenture, S&P Global.
Data were collected 13-29 June 2022.

Comment

Commenting on the survey, Matt Prebble, Strategy & Consulting Lead, UK&Ireland at Accenture, said:

"Inflation and a cloud of economic uncertainty have understandably knocked business confidence. Whilst some predict lower profits and are cutting back on research and development, it is worth noting that the more confident sectors are continuing to sustainably invest in new products."

"Over the past few years, UK business leaders have proven resilient in the face of constant change which may explain their optimism compared to other countries. It is this mindset to make transformational change where it is needed most, invest in talent and new technologies that will put them in a strong position to take market share when the current turbulence passes."

metal prices. At the other extreme, hospitality firms posted a negative outlook for the first time in nearly four years (-4%), as the cost-of-living crisis drives lower consumer spending on travel, dining and leisure.

At the same time, +21% of UK employers predict a rise in employment - almost double the rest of Europe at +12% - as firms look to fill staffing gaps that appeared during the COVID-19 pandemic.

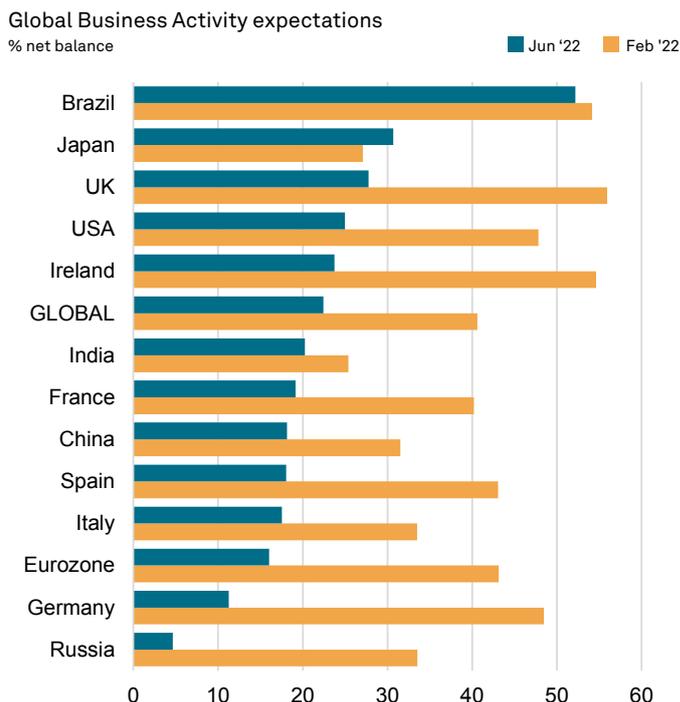
Half of UK regions expect profits to fall, but West Midlands and Yorkshire are on the rise

There remains a sharp regional divide in business confidence in June, as half of the 12 UK regions expect to see a decline in profits. Businesses in the South East continue to feel the most secure and expect to see the sharpest rise in employment over the next 12 months (+34%). However, optimism in other English regions is on the rise - the West Midlands (+39%) and Yorkshire & the Humber (+29%) moved to become the second and third-most-optimistic regions for activity, ahead of London (+30%).

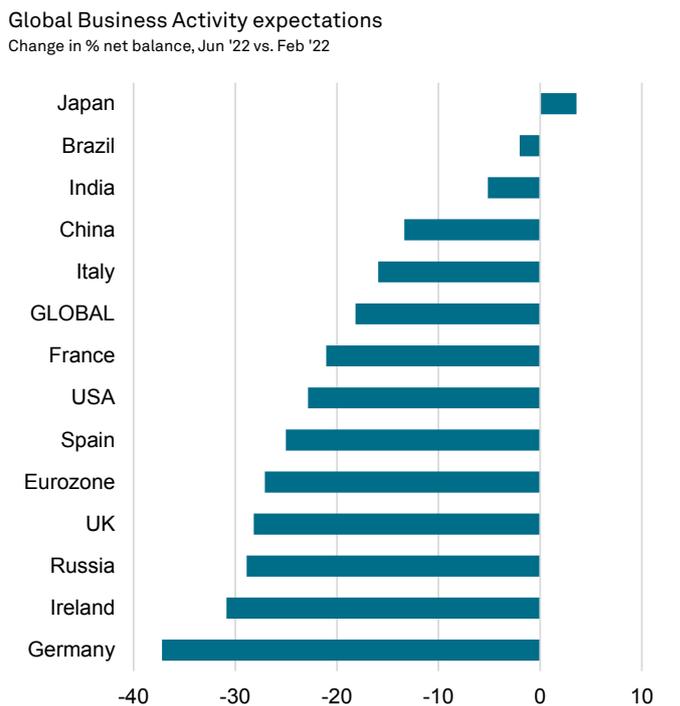
Not all regions are feeling the same buoyancy, with notably pessimistic profit expectations for the North East (-16%), South West (-17%), and in particular Northern Ireland (-35%).

The latest data also suggested that wage pressures will be primarily driven by regions in the South of England over the next year, with the South East, South West, East of England (each +82%) and London (81%) posting well above other parts of the UK.

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



Sources: Accenture, S&P Global.



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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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