

News Release

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S&P Global UK Business Outlook

UK business confidence edges higher in fourth quarter of 2025

Key findings

Activity outlook ticks up, but stays weaker than 2023 and 2024 readings

Profit expectations remain subdued amid ongoing cost concerns

Capex and R&D spending projected to fall

UK firms were moderately hopeful of an expansion in business activity over the coming 12 months in October, according to the latest S&P Global UK Business Outlook survey. Confidence levels improved from June and reached their highest in a year, but they still fell short of the optimism seen during 2023 and 2024.

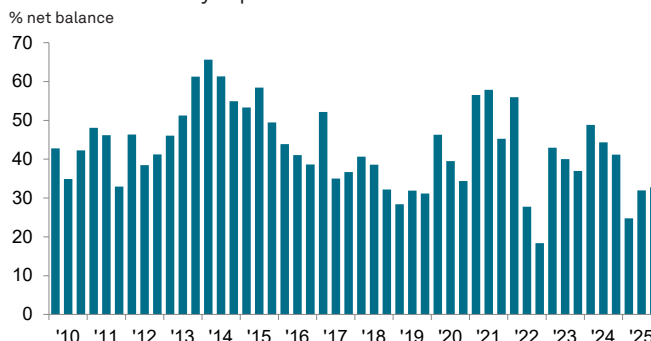
Amid ongoing concerns about rising operating costs and mounting wage pressures, UK businesses forecasted a subdued pace of employment growth in the coming year, alongside lower capital expenditure and research and development spending. While output prices are expected to increase in response to rising costs, many companies voiced concerns that intense competitive pressures could constrain pricing power.

The net balance of UK companies anticipating an increase in output over the next 12 months was +33% in October, slightly up from +32% in June. While this marks a modest improvement from the recent low in February, overall expectations remain below the long-term average observed over the past 16 years.

Both the services and manufacturing sectors experienced a slight uptick in overall business confidence. Manufacturers often pointed to opportunities for international expansion, potential trade deal benefits, new product development, and technological innovations. Meanwhile, services firms highlighted new customer acquisitions and efforts to boost productivity through increased use of AI and digital technologies.

Nonetheless, many businesses remained cautious amid a range of economic uncertainties, citing

UK Business Activity expectations



Source: S&P Global PMI.

Data were collected 9-29 October 2025

Comment

Commenting on the findings, David Owen, Senior Economist at S&P Global Market Intelligence, said:

"Although UK businesses signalled the best outlook for future economic activity in a year, there were still a number of factors that dampened confidence, including elevated inflationary pressures, weak consumer spending, geopolitical tensions and uncertainty about fiscal changes in the upcoming Budget. Firms still expect operating costs to rise substantially, which is having adverse impacts on profit forecasts, hiring plans and capital expenditure budgets.

"On a positive note, some firms hope that if the trade environment stabilises, they should be able to recoup foreign sales and maximise opportunities in new markets. AI investment is also a common factor driving positivity, with services firms especially anticipating this area of expenditure to rise strongly over the coming year."

elevated recession fears, inflation, subdued consumer spending, and geopolitical instability. Additionally, firms often expressed concern about the uncertain impact of tax raising measures in the forthcoming Budget, which could further squeeze customer demand and profitability.

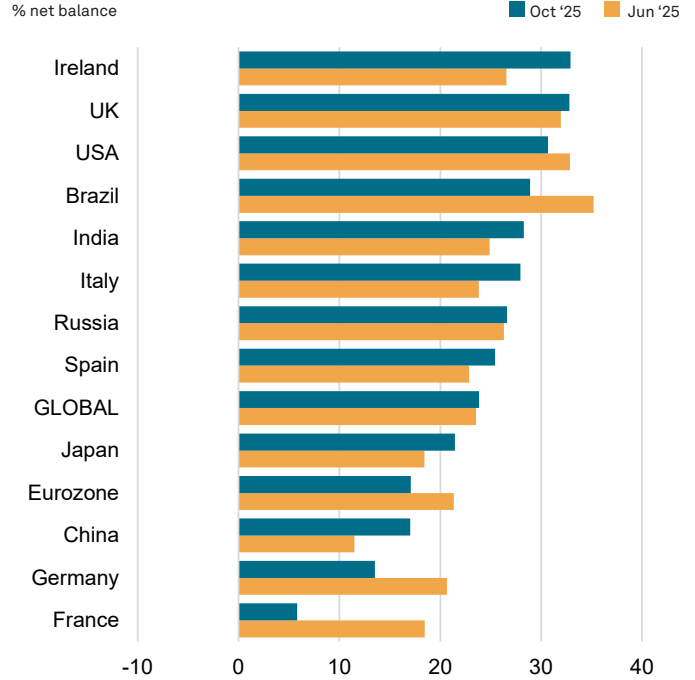
In October, the net balance of UK firms expecting staff costs to rise over the next year remained notably high at +70%, while expectations for non-staff input costs increased to their strongest level in nearly three years (+56%). Cost inflation forecasts stayed elevated across both manufacturing and services.

Consequently, UK firms anticipated only a modest increase in employment. At +5%, the net balance of companies planning to expand their staffing capacity was unchanged from the previous survey and well below the long-term average. Meanwhile, capital expenditure (capex) expectations turned negative for the third consecutive survey, with a net balance of -6%, while firms also projected a reduction in R&D spending (-7% net balance).

Companies generally planned to raise their output prices to reflect higher operating costs in the next 12 months, with expected increases likely to be steeper than those projected in June (net balance rising from +41% to +45%). Notably, the forecasted rates of output price inflation were level across manufacturing and services.

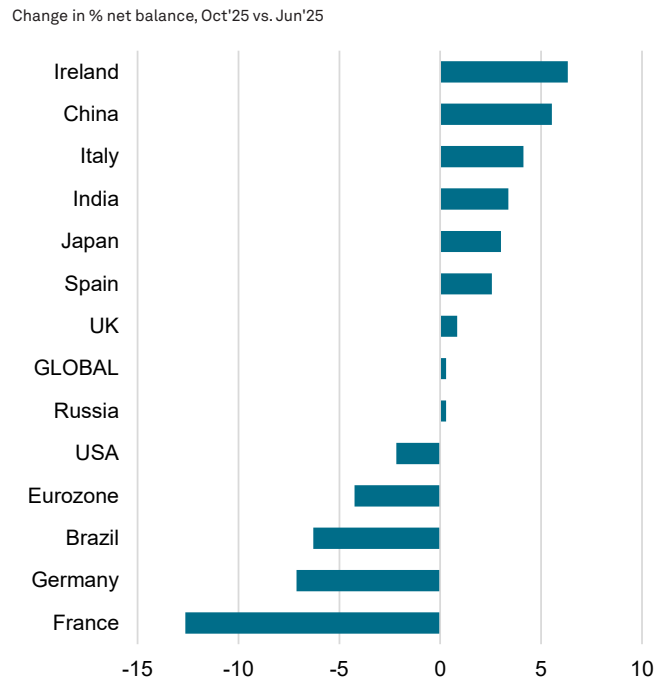
Despite this, businesses are only anticipating a marginal improvement in profits. The net balance of firms expecting profit gains ticked down to +5% in October. Anecdotal reports showed that businesses remain concerned that intense price competition across global markets, alongside subdued consumer demand, could restrict pricing power and compress profit margins.

Global Business Activity expectations



Source: S&P Global PMI.

Global Business Activity expectations



Source: S&P Global PMI.

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, 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*. 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 7,700 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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