

News Release

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Accenture / S&P Global UK Business Outlook Report

UK business confidence falls to its lowest in 2023, but inflation expectations soften

Key findings

The Accenture / S&P Global UK index shows outlook expectations dropped to +37% in October, its second successive fall and the lowest level this year

Non-staff cost inflation at the slowest rate in nearly three years, but wage growth expectations remain near record levels

Plans for price rises continue to slow as profit expectations improve

Higher interest rates weigh on investment plans

UK business confidence fell to its lowest level this year in October, according to the latest Accenture / S&P Global UK Business Outlook.

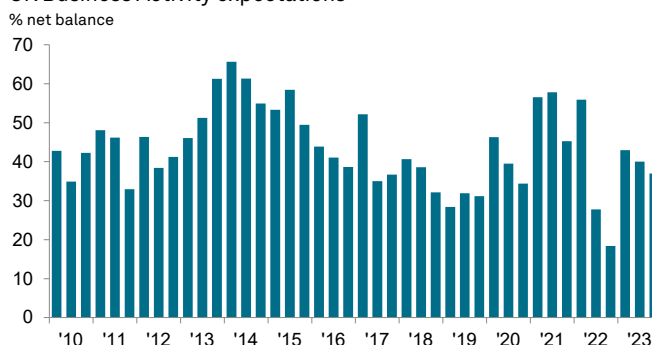
The net balance of firms expecting activity to increase over the next 12 months slid to +37% in October, down from +40% in June and +43% in February.

Although UK companies maintain a positive outlook for the upcoming year, the research suggests that concerns about the cost of living and elevated interest rates have tempered the positive effects of milder inflation. UK business optimism still remained relatively high compared to global (+25%) and European (+16%) averages, which fell by 3% and 8% respectively.

Amid rising concerns over the effects of interest rate hikes on consumer spending and borrowing, optimism in the UK service sector fell to +36%. Hospitality businesses felt the brunt of this impact, standing out as the sole sub-sector that did not report a positive sentiment.

Manufacturers reported a modest increase in optimism (up to +44%), with notable positivity from the transport and food and drink sectors. Many manufacturers highlighted their expectations that new product launches, technological advancements, and reshoring prospects might bolster their output.

UK Business Activity expectations



Sources: Accenture, S&P Global PMI.
Data were collected 12-30 October 2023

Comment

Commenting on the findings, Ewan Mackay, Strategy and Consulting lead at Accenture in the UK & Ireland

"UK business respondents are more optimistic than firms in Europe and around the world. However, it's no surprise that corporate confidence has wavered in the face of ongoing change, with wider economic challenges impacting interest rates and high prices putting a dent in consumer spending."

"While projections for the next 12 months remain positive, it's important that businesses take action now to turn expectations into reality even if the economic picture remains uncertain. Now is the time to stay the course with strategic investments where possible, hiring the best skills and embedding the right technologies throughout the core of their business to position them for future growth."

Confidence fell despite declining inflation expectations in the UK. Firms indicated that weaker non-staff input cost inflation will lead to slower price increases. Expectations for input costs (+47%) and output prices (+43%) remain high but were still at their lowest since February 2021.

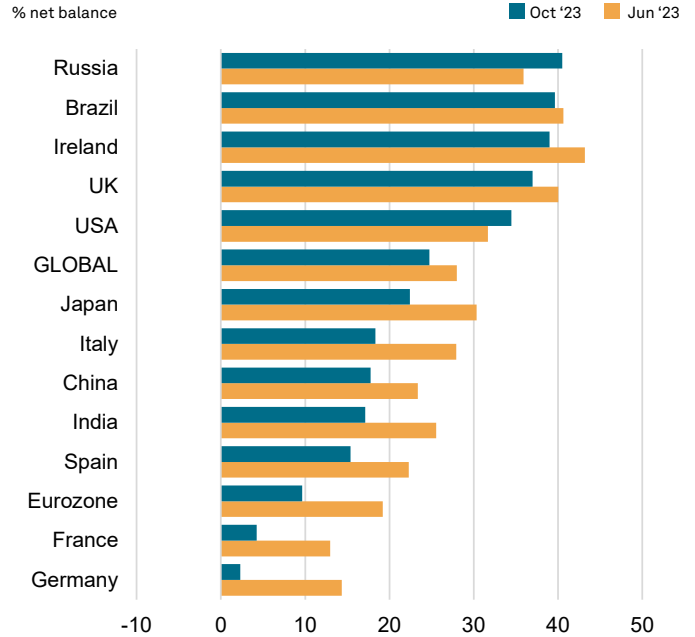
Reduced cost pressures, combined with predictions of steady business growth, boosted profit optimism. Notably, the UK was the only country monitored that saw an uptick in profit expectations in October.

Expectations for an increase in salary costs were up marginally to +73% from +72 in the summer, with UK businesses suggesting that efforts to increase employment and address skills gaps could sustain high wage inflation.

The survey reveals that UK companies anticipate a decline in research and development expenditure in the upcoming year (-4%). Companies highlighted the challenges posed by interest rate increases, making it difficult to maintain investment levels. Additionally, capital expenditure projections saw a downturn, with manufacturers being particularly affected.

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

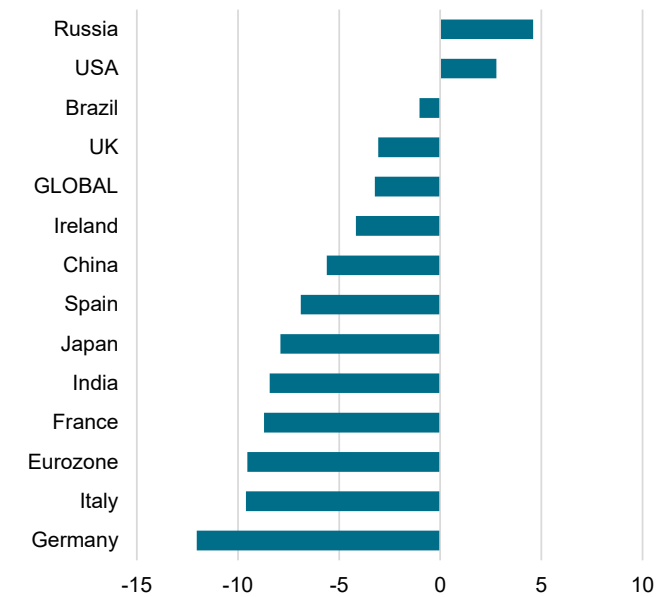
Global Business Activity expectations



Sources: Accenture, S&P Global PMI.

Global Business Activity expectations

Change in % net balance, Oct '23 vs. Jun '23



Sources: Accenture, 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. 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*. 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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