

News Release

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S&P Global US Business Outlook

US business confidence improves in February despite uncertain trade outlook

Key findings

Activity set to rise over the year ahead

Tariffs seen as providing both opportunities and challenges for businesses

Subdued profits and employment growth expected, while investment plans are downbeat

Confidence amongst US private sector companies improved during February, according to the latest Business Outlook survey data from S&P Global. Business activity is broadly forecast to rise from present levels, although profits and employment projections were subdued in comparison to historic trends. Non-staff costs are forecast to rise markedly, whilst investment expectations have become more downbeat compared to late last year. Panelists widely noted the uncertain impact of tariffs on business performance in the year ahead, with a mixture of opportunities and challenges noted.

Note that survey data were collected before the latest round of tariff changes were due into effect in early March.

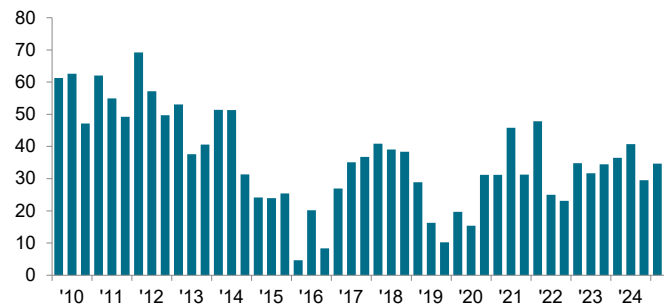
Compared to last October's two-year low of +30%, the headline Business Activity net balance improved to +35% in February. That was a little lower than the average since data were first collected since late 2009 but remained well above February's global reading of +26%.

Both sectors for which data are collected registered an upturn in sentiment since October, with manufacturers again the more confident in the outlook. The respective net balance for goods producers improved to +46% in February, the best outturn for three years. For services, the net balance rose to +33% (from +28%) but remained well below typical levels seen prior to the start of the pandemic in 2020.

There were many comments related to tariffs provided by firms in response to the latest survey. Some panelists viewed tariffs as an opportunity, either by improving their competitiveness or raising domestic

US Business Activity expectations

% net balance



Source: S&P Global PMI.

Data were collected 10-26 February 2025.

Comment

Commenting on the US Business Outlook survey data, Paul Smith, Economics Director at S&P Global Market Intelligence, said:

"With the latest S&P Global Business Outlook survey completed before the announcement of new tariffs in early March, the data provides a snapshot of US company sentiment prior to these latest changes and, from a business perspective, highlights their broadly uncertain effect on company performance.

"On the one hand, some firms are expecting tariffs to bolster their competitiveness and stimulate demand for their products and services, especially in domestic markets. In contrast, there are understandable worries that prices will rise and that supply chains will be disrupted in the near term.

"As such, companies offered a mixed assessment of the business outlook in February. Activity is forecast to rise at a slightly faster rate, but prices – especially non-staff costs – are seen as increasing to a greater degree.

"Perhaps most concerning from the survey results is that the uncertain environment has seeped into investment plans, with the outlook for capital expenditure its weakest in eight years and R&D spending expectations have turned negative."

demand. However, many survey respondents are concerned that tariffs will lead to higher prices and could disrupt supply chains.

More generally, survey participants are expecting to offer a more diversified set of products and services to help support overall business expansion in the year ahead. Meanwhile, the take up of new technologies is seen by some as a tool to reduce costs and improve efficiency.

Non-staff costs and output prices set to rise at faster rates

Amid concerns that the application of tariffs will raise prices and lead to supply constraints, a greater proportion of firms are expecting an increase in their non-staff costs. The respective net balance rose to +29% in February, up from +26% and its highest level since October 2022.

Staff costs, while expected to increase, are now forecast to rise at a slower pace. The net balance declined to +35%, from +41% in October and a four-year low. However, there were contrasting trends within the private sector economy: manufacturers (+46%) are forecasting their steepest increase in staff costs since October 2023, but service providers anticipate a much weaker rise (net balance down to +33%, from +41%).

US companies anticipate raising their output prices to a firmer degree when compared to last October. The output prices net balance rose to +34%, up from +26% and a one-year high. Again, it was manufacturers (+46%) that anticipated the greater rate of inflation when compared to service providers (+32%).

Considering these various price trends, the outlook for profitability was little changed in February. The respective net balance for profits came in at +18%, compared to +17% last October. That is well below the series average and points to subdued profitability growth in the year ahead.

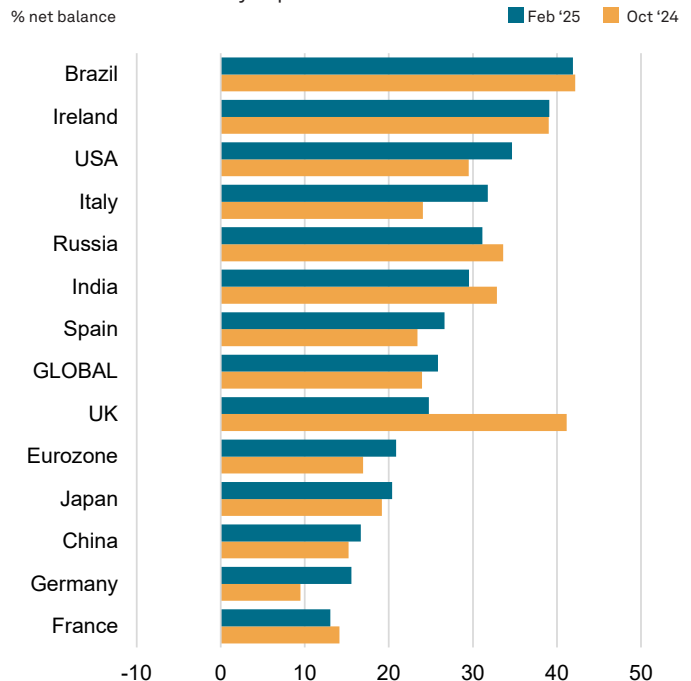
Downbeat outlook for investment

When asked to assess the business outlook, several companies noted worries about the availability of labor. This was reflected in the continuation of a relatively subdued outlook for employment growth in the year ahead, with the net balance of +15% little changed since October's recent low of +13%. There was some divergence however between sectors, with manufacturers (+22%) more upbeat regarding employment prospects than service providers (+14%).

On business investment, US companies are somewhat downbeat when assessing the outlook for capital expenditure, with a net balance of +4% down sharply since last October's +12% and an eight-year low.

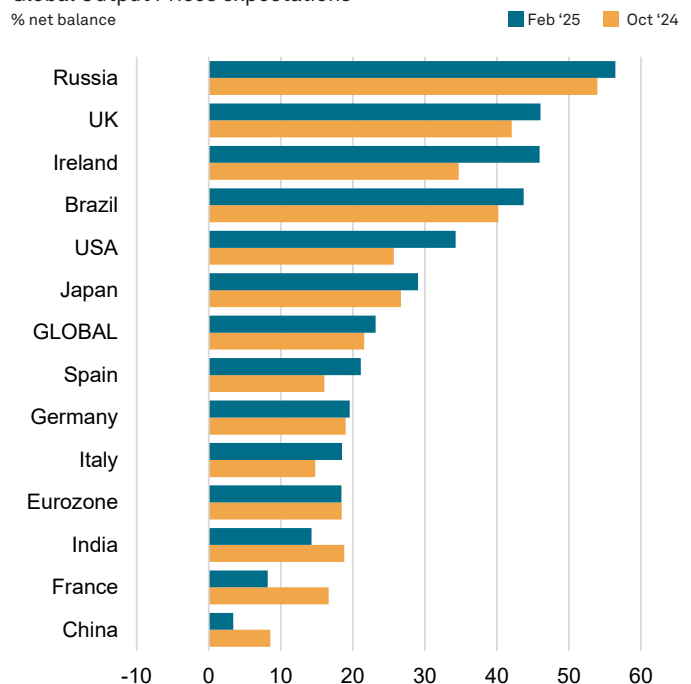
Firms are even less optimistic about R&D spending, with an outright decline forecast for the year ahead. The net balance came in at -4%, down from +2% and the lowest in the series history (which for composite data began in October 2018).

Global Business Activity expectations



Source: S&P Global PMI.

Global Output Prices expectations



Source: S&P Global PMI.

Full data available on request from economics@spglobal.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 8,000 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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