

# News Release

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## S&P Global US Business Outlook

### US business confidence strengthens to highest for a year in February

#### Key findings

Broad-based improvement in output expectations

Inflationary pressures projected to remain elevated

Employment set to rise over coming year

The S&P Global US Business Outlook survey indicated stronger output expectations for the coming year in February. The net balance of companies that foresee a rise in business activity, at +35%, was the highest for a year. US companies were more upbeat than the global average (net balance of +32%), and among the most confident of the 12 monitored countries. Expectations strengthened at manufacturers and service providers, with goods producers registering the greatest uptick in optimism regarding the outlook for production.

US businesses signalled that there were numerous opportunities for growth in output over the next year. A number of firms noted further reshoring initiatives, with operations being brought to the US to simplify logistics and expand businesses. At the same time, new product development, expectations of softer inflationary pressures, and hopes of improved candidate availability for open roles were mentioned as potential drivers of growth in the coming 12 months.

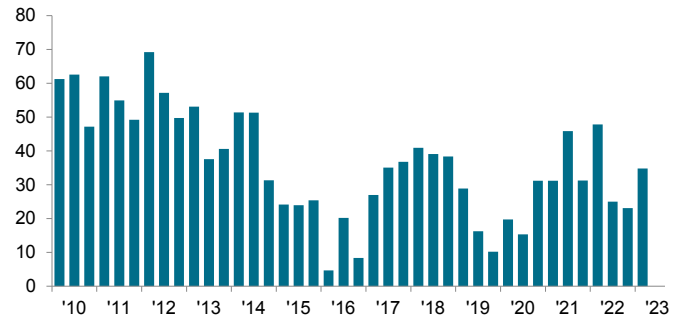
Nonetheless, threats to growth remained apparent. Private sector firms continued to highlight the pressure inflation has on customer spending which could extend further into 2023. A shortage of labor and the increased cost of wages were also stated as factors that could limit growth, with firms also noting that competition for workers remained strong. Some companies also suggested that supply chain instability continued to be a concern.

#### Prices set to remain elevated

Private sector firms in the US expected strong increases in staff and non-staff costs over the coming

US Business Activity expectations

% net balance



Source: S&P Global.

Data were collected 10-24 February 2023.

#### Comment

Commenting on the US Business Outlook survey data, Siân Jones, Senior Economist at S&P Global Market Intelligence, said:

*"US private sector firms signalled a vast improvement in confidence towards the outlook for output over the next year in February. Despite headwinds to growth from inflation, higher interest rates and some unresolved supply chain pressures, the level of optimism reached the highest for a year. Companies based in the US were also among the most confident globally."*

*"Cost burdens, which include materials, wages and other inputs, are still expected to be elevated, but many anticipate improved profit opportunities as demand conditions strengthen and are more accommodative of higher selling prices."*

*"Encouragingly, firms were also more upbeat regarding employment. Although wage pressures and challenges finding candidates persisted, hiring intentions ticked higher. Expectations of higher workforce numbers were broad-based among both manufacturers and service providers, with firms seemingly concentrating their attention on investment in staff, as capex and R&D spending intentions remained relatively subdued."*

year in February. Although both manufacturing and services companies anticipate softer upticks in cost burdens, rates of inflation were set to remain marked. The net balances of firms that foresee increases in staff and non-staff costs dipped to the lowest since June 2021, but the figures remained well above their respective averages. Moreover, the net balance of companies that anticipated higher wage bills (+44%) was higher than the global average (+40%).

Although the net balance of companies expecting a rise in output prices fell to the lowest for two years in February, firms were still strongly confident of an uptick in charges. The net balance of firms expecting higher selling prices was also above the global average, and among the highest of the 12 countries for which comparable data is available.

### Hiring intentions increase to strongest for a year

Manufacturers and service providers were more confident in their expectations regarding hiring over the coming year. The net balance of firms anticipating greater employment (+20%) was the highest for a year and broadly in line with the series average (+19%). Part of the uptick in optimism stemmed from hopes that candidate availability will improve such that firms can meet their business requirements.

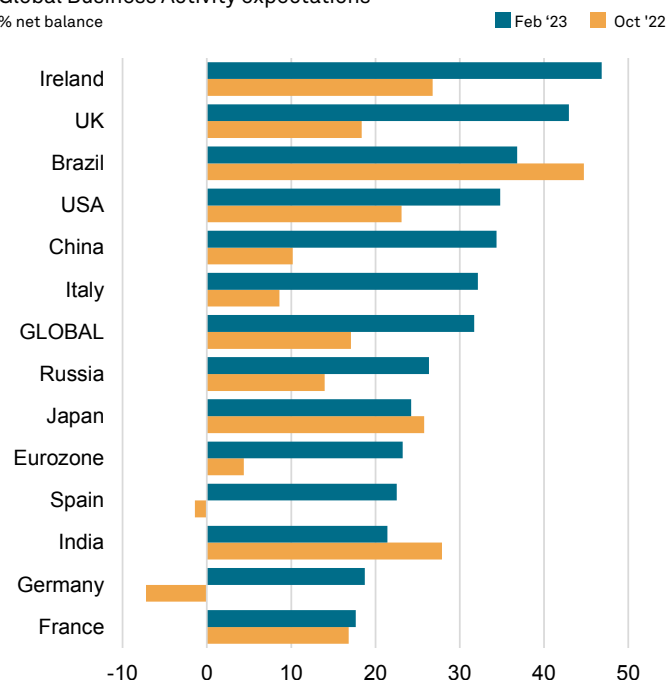
Meanwhile, private sector expectations regarding investment remained muted. Companies were less upbeat regarding an increase in capital expenditure (capex), as the respective net balance fell to the lowest since October 2021. The drop in predictions of greater capex spending was driven by service providers, as manufacturers registered increased appetite to spend.

On a more positive note, firms signalled renewed optimism regarding R&D (research and development) spending.

### Profitability expectations improve notably

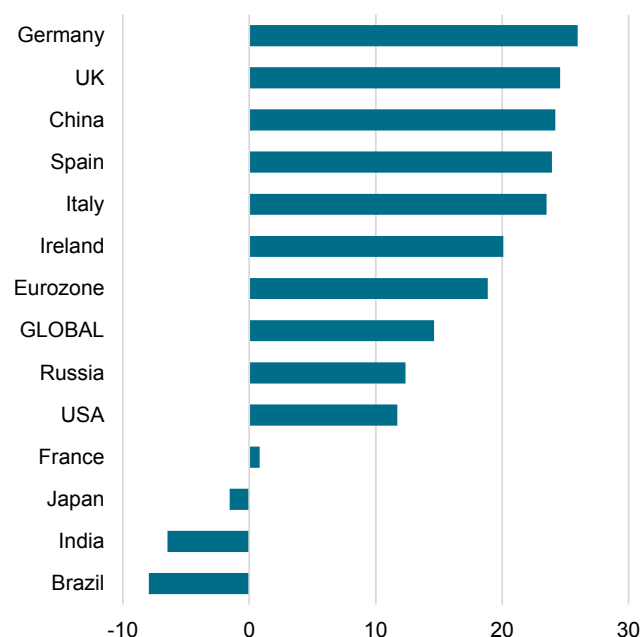
Despite expectations of further strong rises in cost burdens, private sector firms registered the most upbeat forecasts regarding future profits for a year. Confidence was stronger at both manufacturers and service providers, with the former recording the greatest optimism for two years.

Global Business Activity expectations  
% net balance



Source: S&P Global.

Global Business Activity expectations  
Change in % net balance, Feb '23 vs. Oct '22



Source: S&P Global.

Full data available on request from [economics@ihsmarkit.com](mailto:economics@ihsmarkit.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 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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