

News Release

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Accenture / S&P Global UK Business Outlook Report

UK Business Confidence Jumps to Highest Level in a Year as Economic Outlook Improves

Key findings

UK headline index rebounds to +43% in February, from record low of +18% in October 2022

Profit forecasts turn positive for the first time in a year

Employment outlook strengthens, but capex and R&D plans continue to lag

UK business confidence notably higher than both European and global average

UK business confidence rebounded in February to its highest level in 12 months, according to the latest Accenture / S&P Global UK Business Outlook, as expectations towards future activity picked up sharply from a record low in October.

At +43%, the net balance of manufacturing and service sector firms expecting activity to increase over the next 12 months was the strongest recorded in a year, and marked a significant uptick from the +18% registered in October 2022.

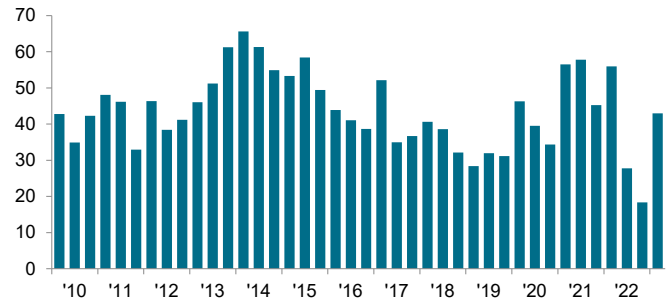
UK companies were more confident than almost all of their European peers, with levels of optimism nearly double the average seen in the eurozone (+23%). Notably, business confidence on a global scale was also at its highest for a year (+32%), but remained lower than the UK average.

The boost to UK business expectations reflected growing confidence in nearly all of the 14 sectors covered by the survey, as firms predict a pick-up in customer demand and the easing of inflationary pressures. Hospitality firms registered positive sentiment for the first time in a year (+22%), with hopes that tighter budgets will lead households to spend on domestic "staycations" rather than holidays abroad.

Fewer UK firms predict an increase in their output prices, with the net balance falling to the lowest since

UK Business Activity expectations

% net balance



Sources: Accenture, S&P Global.

Data were collected 10-24 February 2023

Comment

Commenting on the findings, Matt Prebble, Strategy & Consulting & Lead for Accenture in the UK & Ireland, said:

"UK businesses have demonstrated strong resilience in the face of these challenging times, and their optimistic outlook is encouraging. But to compete and grow now, businesses must adopt a deliberate strategy of continuous reinvention that will enable them to anticipate—and respond to—change. With this mindset, they can lay the foundation for long-term success."

"With employment levels expected to increase, wage inflation understandably remains the primary concern for many firms. It is nevertheless crucial that firms empower employees to focus on more engaging, higher value activities that fuel productivity through the use of technology. This will be an essential driver of growth and will lay solid foundations for competitiveness as the economy rebounds."

June 2021 (+50%), though levels remain historically high. Businesses widely hoped that input cost inflation would not be as severe as last year, however wage inflation remains a key concern with salary pressures expected to persist at above average levels (+21%).

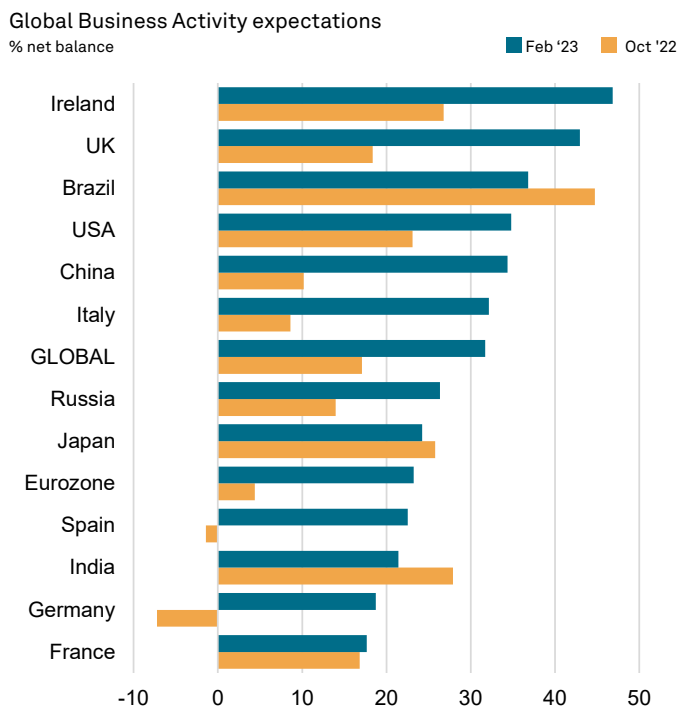
Despite this, the easing of price pressures and the improved demand outlook mean companies are hopeful of boosting profits over the next 12 months. The net balance of firms expecting a rise in profit levels turned positive for the first time in a year (+16%), with manufacturers proving more optimistic than services companies.

Jobs forecasts strengthen, but investment plans lag

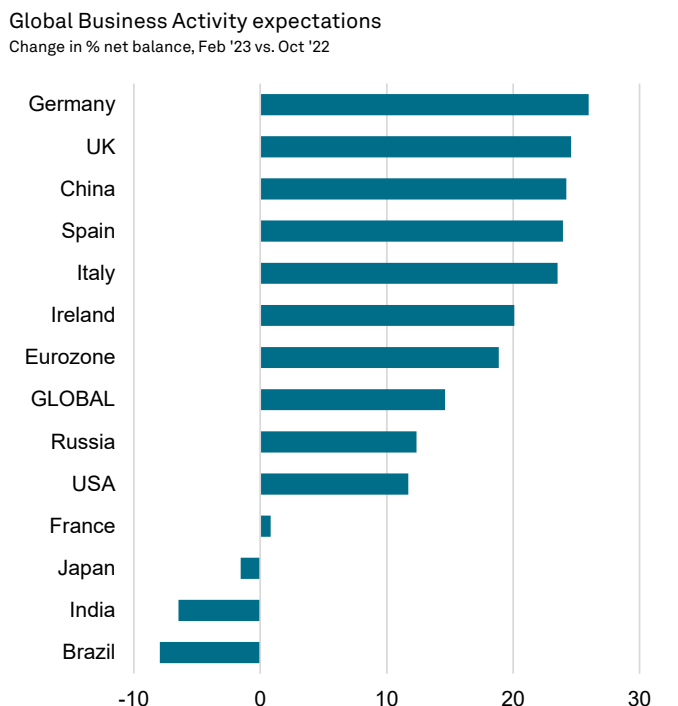
With business activity and profit forecasts improving, UK businesses signalled greater optimism towards hiring in February. The net balance of firms predicting a rise in employment more than doubled to +26%, after hitting a two-year low of +11% last October. Firms suggested that labour shortages will continue to pose an issue, although the proportion of businesses confident of finding skilled staff jumped from 34% to 44% in February.

Predictions for capital expenditure and research & development plans were less encouraging. The net balance of firms expecting an increase in capex spending stood at +5%, although this had risen from -7% in October. At the same time, firms expect R&D spending to continue to fall (-3%), suggesting that tight budgets could threaten opportunities for growth.

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*. 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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