

# News Release

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## S&P Global UK Business Outlook

### UK firms report stronger outlook for output and profits in 2026

#### Key findings

Activity forecasts reach 16-month high, with sharp improvement in manufacturing

Businesses anticipate higher profits linked to demand growth and efficiency gains

Investment intentions and hiring predictions remain weak

UK companies predicted a stronger increase in business activity over the year ahead in February, as they pinned hopes on rising market confidence, new business opportunities, technology and innovation, and improved balance sheets.

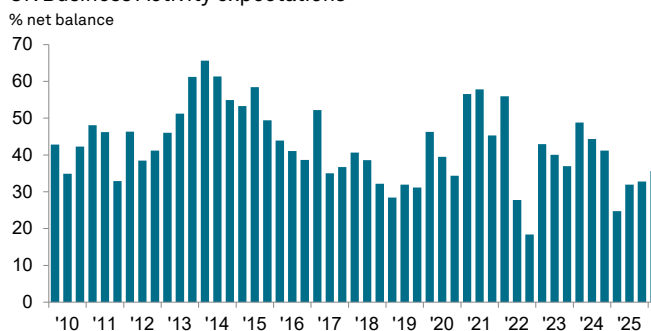
Expectations for output, earnings and employment all reached their highest levels since October 2024. Nevertheless, challenges persisted for UK firms, with inflationary pressures estimated to remain marked, and investment spending anticipated to fall despite a focus on AI development.

The S&P Global UK Business Outlook survey signalled that private sector business confidence towards domestic output was the highest seen for over a year. The latest survey was conducted between the 10th and 25th February, and therefore the results were calculated prior to the outbreak of war in the Middle East.

The net balance of UK firms anticipating an increase in their activity levels over the next 12 months rose to +36% in February, up from +33% in October 2025 and well above the reading observed a year ago (+25%). Private sector companies ranked highly compared to international peers, with the UK posting a much stronger net balance than that seen for global developed markets (+29%).

Expectations greatly improved among manufacturing firms, which survey members attributed to stronger exports and business expansion plans. Product innovation, AI investment, cost cutting initiatives and defence spending were also cited as tailwinds.

UK Business Activity expectations



Source: S&P Global PMI.

Data were collected 10-25 February 2026.

#### Comment

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

*"After displaying relatively modest confidence in 2025, February survey data suggested that UK companies were more hopeful for economic and business conditions in 2026. Activity growth predictions have strengthened amid improving levels of new business in domestic and foreign markets."*

*"Survey panellists also highlighted a better outlook for profits in February, one that was partly helped by cost-cutting drives. Although hiring forecasts were positive, firms largely signalled a belt-tightening approach, with spending on capex and R&D anticipated to fall. AI spending appears to be the exception to the rule though, as firms pinpointed this as a major focus of investment."*

*"Although the survey showed a brighter outlook, the outbreak of war in the Middle East has the potential to shift this dramatically. UK firms will be particularly exposed to an uplift in global energy prices, which could result in a marked intensification of inflationary pressures and squeezed earnings."*

Notably, net sentiment towards future activity was much higher at manufacturers (+45%) than services firms (+34%), with similar results observed for profits (+23% vs +11%) and hiring (+14% vs. +5%).

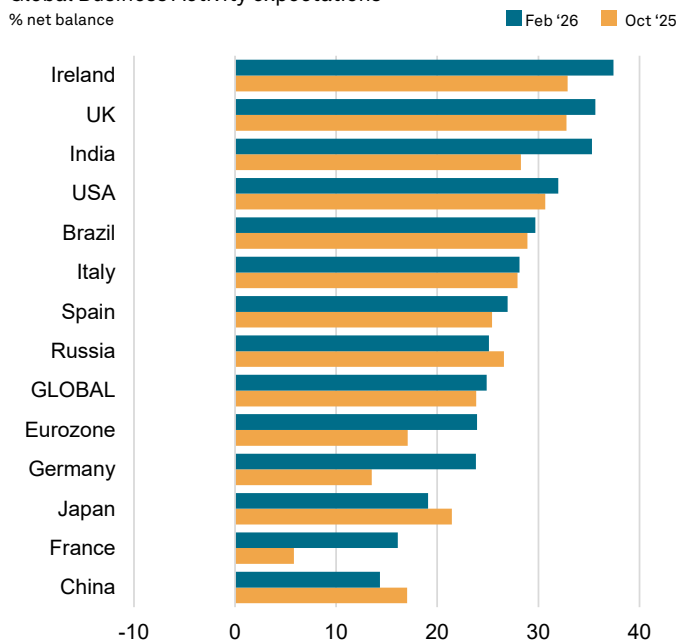
Market expansion, product diversification and AI spending were also regarded by service providers as growth drivers. However, qualitative reports signalled that tax-raising measures, low consumer confidence and competitive pressures continued to weigh on business sentiment.

UK companies also predicted a sharp increase in business costs over the next 12 months. The net balance of firms anticipating higher staff costs stayed at +70% in February, while the respective net balance for non-staff costs was +52% — both well above their long-run trends. Manufacturers’ cost expectations (excluding staff) were the strongest recorded since October 2022, which survey respondents linked to supply chain disruptions, volatility in metal markets and geopolitical tensions.

Consequently, firms signalled that cost-cutting efforts were likely to endure, with emphasis placed on capital expenditure and research & development cuts. Net sentiment regarding these factors remained negative, with companies anticipating a larger fall in R&D (-8%) than capex (-2%). The latter was slightly offset by a mild degree of positivity in manufacturing (net balance of +1%). Although companies predicted an expansion in staffing over the coming year, net optimism (+7%) remained much weaker than its long-run trend.

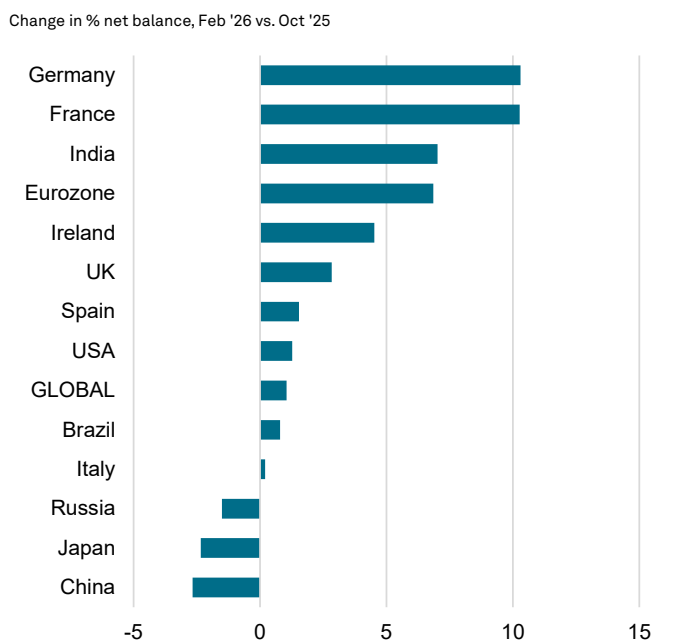
Businesses continued to plan a steep rise in selling charges, supporting predictions of a stronger improvement in profits. The net balance of firms foreseeing an increase in earnings rose from +5% to +13% in February.

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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