

# News Release

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## S&P Global China Business Outlook

### Chinese business confidence moderates again at start of 2024

#### Key findings

Optimism around future output growth slips to second-lowest since February 2020

Firms anticipate little-change to employment

Companies project broadly stable selling prices as cost pressures forecast to ease

The latest S&P Global China Business Outlook survey showed that overall optimism among Chinese companies regarding future output growth slipped to the second-lowest in four years during February. This reduction in confidence led to forecasts of broadly unchanged staffing levels over the year ahead. At the same time, firms projected slower increases in both staff and non-staff costs, while firms expect their selling prices to be broadly unchanged.

At +15% in February, the net balance of Chinese companies that expect business activity to rise over the year ahead was down from +18% last October to signal a softening of overall confidence. Notably the figure was the second-lowest recorded since the initial wave of the COVID-19 pandemic in February 2020 (after October 2022). The reading was also the weakest of the BRIC nations and well below the global average (+28%).

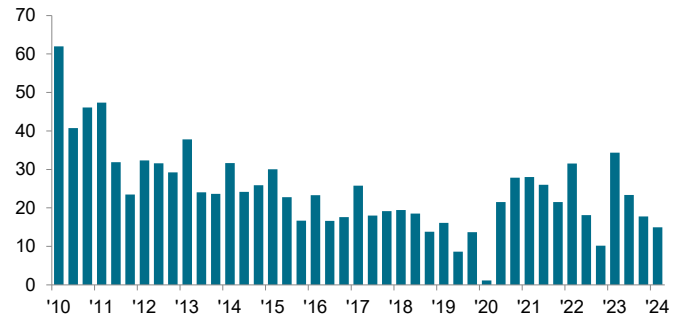
Underlying data indicated that the slide in sentiment was largely due to lower optimism in the service sector, with the respective net balance declining from +21% to +15%. Optimism among manufacturers meanwhile improved slightly, with the net balance of firms forecasting higher output rising from +14% to +15%.

Companies that were upbeat that business activity will increase over the next year often attributed this to forecasts of stronger domestic and global economic conditions. Government policy support, improved tourism, investment in new technology and equipment, and the development of new products are also anticipated to lift output.

However, relatively subdued market conditions, intense competition, rising costs and geopolitical

China Business Activity expectations

% net balance



Source: S&P Global PMI.

Data were collected 02-21 February 2024.

#### Comment

Commenting on the China Business Outlook survey data, Annabel Fiddes, Economics Associate Director at S&P Global Market Intelligence, said:

*"The latest S&P Global Outlook survey showed that business confidence across China continued to weaken at the start of 2024. Notably, optimism around future output slipped to the second-lowest since the initial pandemic wave four years ago, as firms expressed concerns over relatively sluggish market conditions, tough competition and lingering geopolitical uncertainty. This in turn led firms to remain cautious around hiring plans, with overall employment forecast to be little-changed over the next year.*

*"Inflationary pressures are meanwhile projected to ease for both staff and non-staff costs, and expected to remain much weaker than seen on average globally. However, relatively subdued growth forecasts and efforts to boost new orders meant that firms expect to have limited pricing power, and selling prices are forecast to remain broadly stable over the next 12 months.*

*"Encouragingly, R&D spending is set to rise at a slightly quicker pace over the next year, with a number of firms hoping to unlock opportunities through the adoption of new technologies and new product lines."*

uncertainty were cited as key threats to the outlook at the start of 2024.

### Hiring intentions remain weak

A net balance of just +1% of Chinese businesses plan to expand their staffing levels over the next 12 months in February, to suggest that overall employment will be broadly unchanged. The reading was down from +2% in October and the lowest since June 2022. Sector data indicated that service providers anticipate stagnant workforce numbers (net balance of 0%), whilst manufacturers projected only a marginal rise in employment (+2%).

### Inflationary pressures forecast to ease

Companies operating in China foresee further increases in input costs over the next year, but pared back their projections compared to October. A net balance of +10% of firms forecast higher non-staff costs in February, which was the joint-lowest reading since June 2017 (on a par with October 2022). At the same time, firms downwardly adjusted their staff cost projections, with the respective net balance falling from +14% in October to +11% in February.

As a result, cost pressures in China are anticipated to be much weaker than those forecast globally.

Turning to selling prices, services companies in China expect no change to their output charges over the next year (0%), while factory gate prices are set to increase only marginally (+2%). As a result, the overall net balance of firms planning to hike their output charges was the lowest since mid-2020 at just +1%.

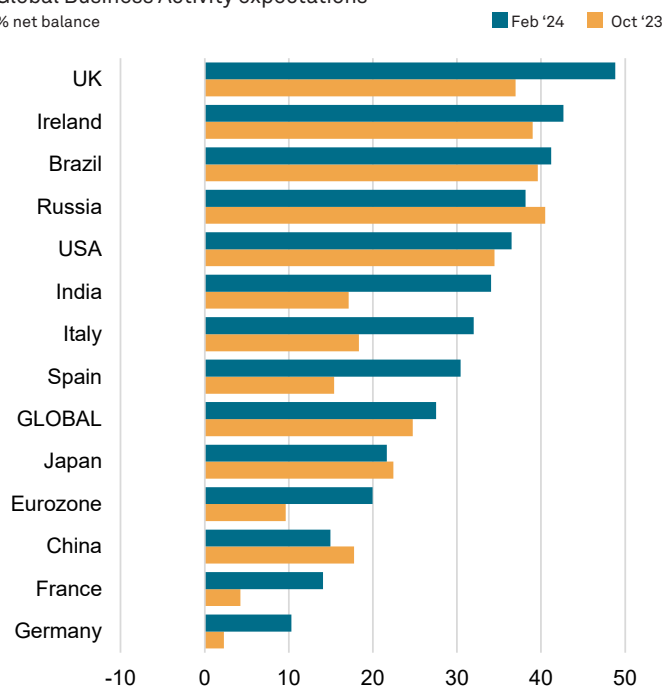
### Optimism around future profitability slips again in February

Although inflationary pressures are forecast to recede, profitability forecasts weakened again in February. At +6%, the net balance of Chinese companies expecting higher profits over the next year slipped from +7% to the lowest since October 2022.

### Capex intentions remain subdued, but R&D spending plans strengthen slightly

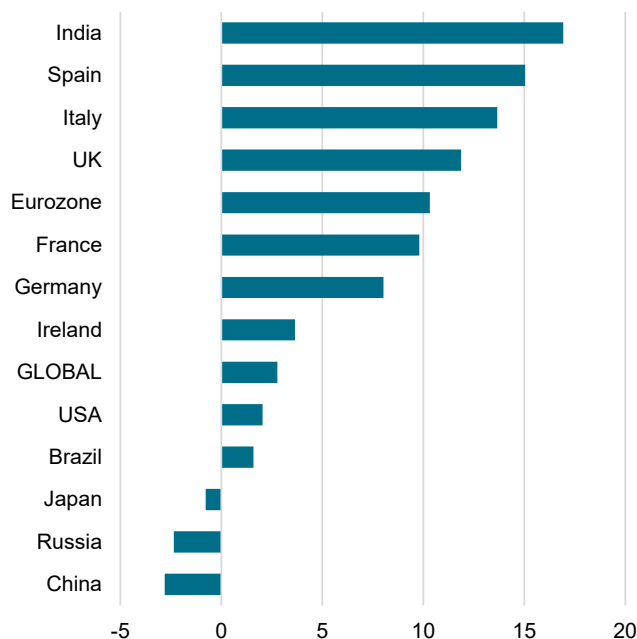
Latest survey data indicated that capex plans were revised down slightly among Chinese companies in February. At +6%, the respective net balance edged down from +7% last October to the lowest reading since June 2020. In contrast, the outlook for planned R&D investment improved at the start of 2024. The respective net balance picked up to a one-year high of +11% in February and was above the global average (+5%).

Global Business Activity expectations  
% net balance



Source: S&P Global PMI.

Global Business Activity expectations  
Change in % net balance, Feb '24 vs. Oct '23



Source: S&P Global PMI.

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