

News Release

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S&P Global Business Outlook

Global business sentiment stable as rising optimism in the US and Japan offsets pull back in emerging markets

Key findings

Corporate future sentiment holds steady compared to the start of the year

Improved sentiment in the US and Japan contrasts with lower confidence in emerging markets and stable conditions in Europe

Service providers more confident than manufacturers

Little sign of slowdown in inflation amid higher staff costs

Capex plans scaled up, employment expectations stable

The S&P Global Business Outlook Survey – based on responses from a panel of 12,000 companies between June 07-26 – indicated that worldwide business sentiment was little changed from earlier in the year. Companies were generally confident that output will expand, while modest improvements in employment and investment are expected. Inflationary pressures are anticipated to remain stubbornly high.

The net balance of companies worldwide predicting a rise in business activity over the coming year was unchanged at +28% in June and has been around this level through business outlook surveys across the past year.

The stability of expectations at the global level masked notable geographical differences. June saw optimism in the US rise to the highest in over two years, and sentiment hit a one-year high in Japan. However, all four BRIC emerging market economies were less confident than at the start of the year and sentiment in Europe was broadly unchanged.

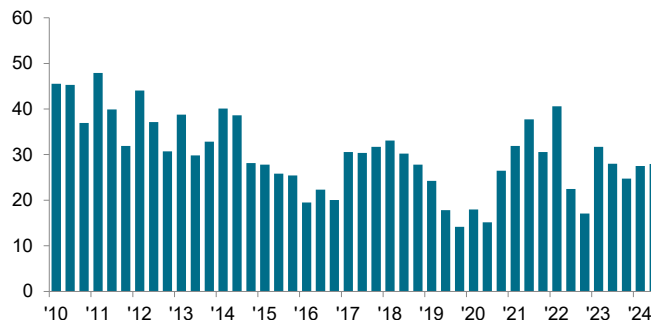
Looking at the sector breakdown, the recent pattern of service providers being more optimistic than manufacturers was maintained midway through the year as both categories saw little change in their expectations relative to February.

Inflationary pressures remain elevated

There was little sign of rates of inflation softening in

Global Business Activity expectations

% net balance



Source: S&P Global PMI.

Data were collected 07-26 June 2024.

Comment

Commenting on the Global Business Outlook survey data, Andrew Harker, Economics Director at S&P Global Market Intelligence, said:

“Stability is the watchword of the latest S&P Global Business Outlook survey, with companies around the world generally maintaining their expectations from the start of the year. Notable exceptions to this were the US and Japan, where improved prospects contrasted with a pull-back in growth expectations in all major emerging markets as well as in the UK. Eurozone growth expectations are unchanged from earlier in the year, thanks to improved sentiment in Germany, albeit from a low base.

“The wait-and-see approach extended to employment, with expectations around hiring unchanged from February as companies look to get through a raft of elections and see how demand fares on the other side. Capex forecasts did improve, however.

“One area where stability will be a concern for policymakers is around inflation. There is little sign from these numbers that rates of inflation are going to ease in the near future, with services inflation and wages remaining the key areas of stickiness. The stubbornness of these price pressures will potentially limit the extent to which central banks, particularly in developed markets, will be able to lower interest rates over the coming year.”

the latest set of data. The non-staff costs net balance was unchanged globally from February (+24%), while the respective index for staff costs was actually fractionally higher than earlier in the year (+36%). In both cases, net balances in June were above series averages. This was also the case with regards to global output prices, where again the net balance was unchanged from that seen in February (+22%).

As with activity, there were differences geographically, however. For non-staff costs and staff costs, net balances were generally higher in developed markets than emerging economies.

Meanwhile, there were wide variations in plans around selling prices. Russia, the UK and Brazil posted the highest output prices net balances, while plans to raise charges were much more muted in other economies such as mainland China, France and India.

Service providers were more likely to plan an increase in output prices than manufacturers in June (+23% versus +17%). This reflects the passing through of higher staff costs, which are expected to rise more quickly in services than manufacturing. Non-staff cost net balances were broadly equal in the two sectors.

Sentiment around profitability remained muted in June, with the net balance ticking down to +11% from +13% in February. Falls in profits are predicted in the Eurozone (with pessimism centred on Germany and France), and mainland China. Elsewhere, sentiment was more positive and actually ticked up in the US, Japan, Italy, Spain and Brazil.

Capex projections stronger than in February

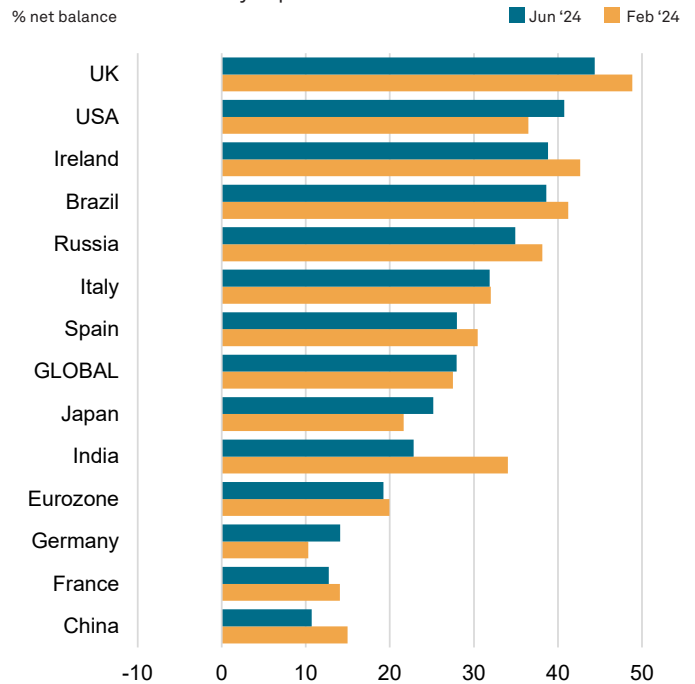
One key positive from the latest survey was an improvement in global sentiment around capital expenditure (capex). The net balance increased to +10% of companies in June, up from +8% in February and was the highest for a year. Capex plans were revised slightly higher in the euro area, the UK, US and Japan, but decreased marginally in emerging markets.

Meanwhile, modest increases in research and development expenditure (R&D) were predicted, with sentiment unchanged from the previous outlook survey (+5%).

The outlook for employment was also stable from the start of the year, with a net balance of +11% of companies forecasting increases in workforce numbers. In line with the picture for business activity, service providers were more likely to predict growth of employment than manufacturers.

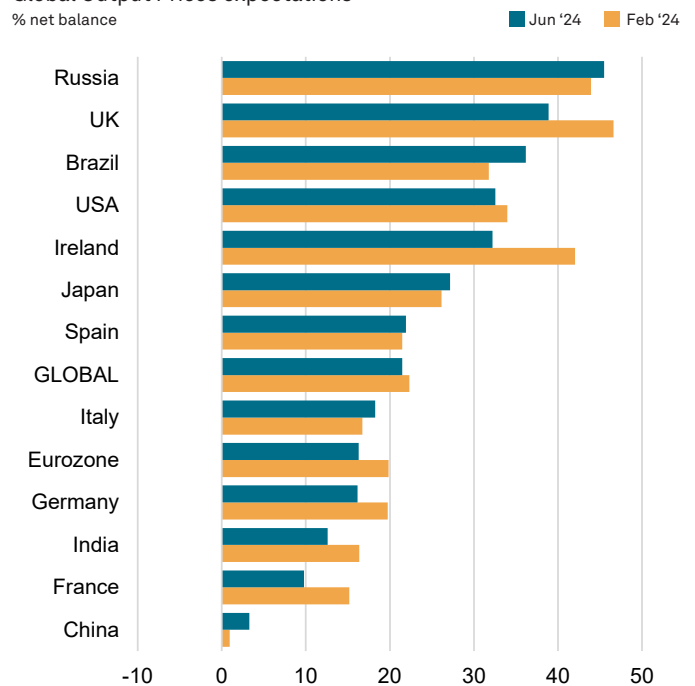
Looking geographically, hiring intentions picked up marginally in the Eurozone, but remained below the global average. Sentiment was stable in emerging markets and little changed in the US and Japan. Confidence around job creation dipped slightly in the UK.

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 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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