

# S&P Global UK Business Outlook

March 2024

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**S&P Global**

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# About the report

**This report reveals how confident UK private sector businesses feel about their prospects for the next 12 months.**

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 S&P Global UK Business Outlook Survey is based on a panel of around 1,400 companies in the manufacturing, services and construction sectors. The latest survey was conducted between 12-27 February.

The key global composite indices include expectations for Business

Activity, Employment, Capital Expenditure, Input Prices, Output Prices and Profits.

These results are published as a weighted 'Composite' Index (all companies), as well as broken down by sector (Manufacturing and Services). Separate results are also included for the construction sector.

The survey uses net balances to indicate the degree of optimism or pessimism for each of the survey questions. These net balances vary between -100 and 100, with a value above 0 signalling a positive outlook for the coming 12 months.

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 US.

Manufacturing data are collected for the Netherlands, Austria, Greece, Poland and the Czech Republic.



## Key findings:

Output expectations in the UK rise to the highest level since February 2022

Profit, staff hiring and capex forecasts strengthen

Projections for selling prices tick higher for the first time in two years, adding inflation risk

Non-staff input cost expectations also pick up after period of slowing

# Overview

## UK business confidence soars to two-year high as economic concerns ease

The latest S&P Global UK Business Outlook pointed to the highest sentiment among UK companies towards future activity levels in two years.

A net balance of +49% of UK private sector companies anticipated a rise in business activity over the next 12 months, according to survey data collected between 12-27 February. This was the highest recorded since February 2022, having increased sharply from +37% last October.

Furthermore, the UK posted the strongest sentiment out of the 12 economies monitored by the survey. Ireland was the next-highest with a net balance of +43%, while Germany resided at the bottom of the rankings (+10%).

Growing confidence among private sector firms came alongside an easing

of concerns about the impact of high inflation and rising interest rates on domestic economic conditions. Although elevated, worries about output being suppressed by these factors were lower than the levels seen in 2023, according to survey comments. New products, export opportunities, and the impact of technological advances such as artificial intelligence were among the reasons driving optimism.

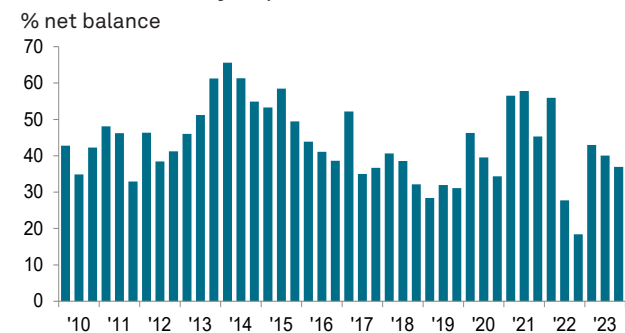
That said, there were still many factors cited as threats to activity, such as an increase in domestic and global political uncertainty. Labour costs and skills shortages were also commonly mentioned.

Output expectations across manufacturing and services were equal in February (+49%). Services firms registered a larger improvement from the previous survey (+36% in October 2023) than goods producers (+44%).

# +49%

UK BUSINESS ACTIVITY EXPECTATIONS  
NET BALANCE  
FEB '24

Business activity expectations



Source: S&P Global PMI.

# Comment

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

*"The Business Outlook findings pointed to a much-improved atmosphere among UK firms in early 2024, as companies begin to look past the recent cycle of tightening financial conditions and plan for an uplift in fortunes over the coming year. Sentiment towards future activity was accordingly up sharply from 2023 levels, as were profits forecasts and capital expenditure plans, which bodes well for UK business investment. Hiring plans also grew, albeit mainly in the services sector, whereas R&D spending is likely to remain subdued.*

*"While growth projections improved, firms were slightly more cautious about the inflation outlook. Wage pressures are forecast to remain incredibly sticky, and transport costs could pick up amid global supply chain challenges. With this in mind, output price inflation expectations sharpened for the first time in two years, showing that firms are still wary of price pressures and therefore not ready to relax their own charges."*

# Employment and investment

## UK companies predict faster expansions in staffing numbers and capital spend

Hiring and investment forecasts were dialled up in February after a subdued end to 2023, although research and development spending is set to remain stable.

With firms expecting to find greater opportunities for growth, plans to raise capital expenditure advanced in February. The net balance of businesses predicting an increase in capex (+8%) was the greatest seen in two years and in line with the long-run trend.

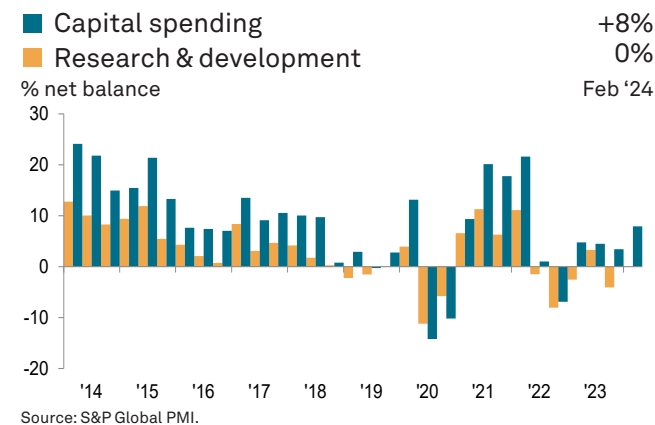
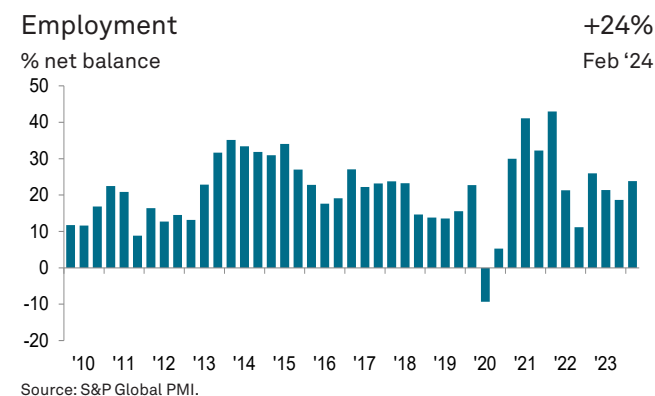
Survey comments signalled that looser financial conditions had provided firms with greater budgets for capital spending, especially amid hopes that interest rates will soften in 2024.

Forecasts improved at similar speeds in the services (+8%) and manufacturing (+7%) sectors, with both up from +3% in the prior survey period.

On the other hand, research and development plans were subdued, with companies expecting no change over the next 12 months (net balance of 0%). Notably, both the two main sectors were neutral about R&D spending.

The near-term outlook for UK employment picked up to the highest for a year in February, with a net balance of +24% of firms expecting to increase their workforces by early-2025. Net positivity was more than double the average seen worldwide (+11%) and much higher than the EU trend (+6%).

Services firms were more likely to plan an expansion in staffing (+25%) than manufacturing firms (+15%). Forecasts in the former category jumped to a 12-month high, while those in the latter were little-changed from October's recent low.



# Inflation and profits

## Input cost and output price inflation expectations tick higher after cooling phase

UK companies grew more cautious about the inflation outlook in February, with expectations of selling price increases accelerating for the first time since early 2022.

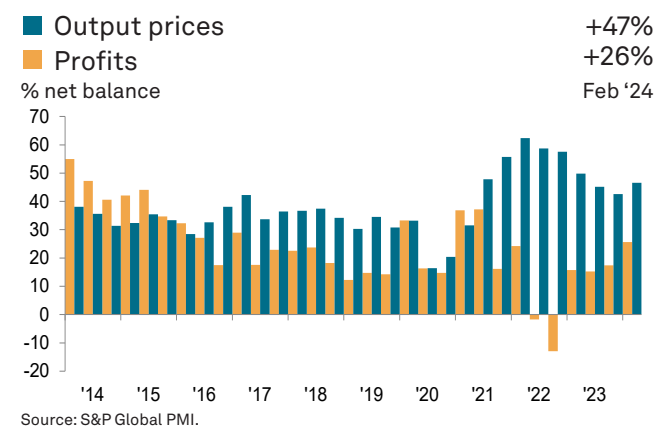
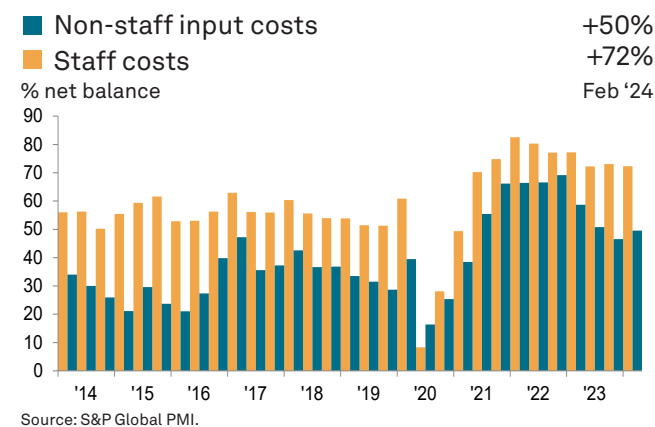
After falling sharply in the prior three survey periods, predictions for non-staff input costs picked up slightly in February. The net balance rose from +47% to +50%, which signalled a marked degree of input cost pressure, albeit the second-lowest in three years.

The rise was driven by the service sector, with anecdotal evidence suggesting there was greater concern surrounding transport costs following the Red Sea shipping crisis. However, manufacturers' predictions for non-staff costs dipped to the lowest level since October 2020, partly reflecting lower energy costs.

There were again widespread expectations that staff costs will rise, continuing the trend seen over the past couple of years. The net balance of +72% was down only fractionally from +73% in October and the highest seen globally. The stickiness partly reflects concerns over the impact of the minimum wage rise in April on overall business costs.

Meanwhile, UK companies are set to increase their selling prices to a greater degree compared to October's forecasts. This marked the first uptick in output price expectations for two years, as the net balance of firms planning a rise climbed from +43% to +47% in the latest survey.

Services firms (+48%) were more likely to predict price hikes than manufacturers (+37%). Overall, the UK posted the highest expectations of any country monitored by the Business Outlook survey.



# Construction outlook

## Growth expectations rebound in February, despite higher inflation predictions

**UK construction companies reported a sharp improvement in business activity expectations in the first quarter of 2024, supported by higher profits and employment projections.**

Following the overall UK trend, confidence towards future activity in the construction sector rose to the highest level in two years. The net balance of firms predicting growth stood at +43%, up sharply from +29% in the previous survey and notching just above the level seen a year ago (+42%).

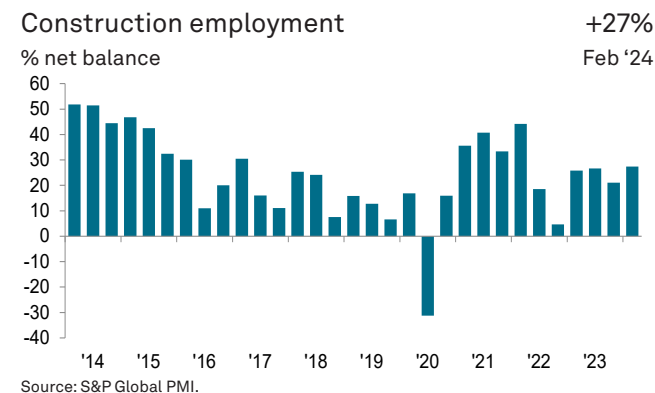
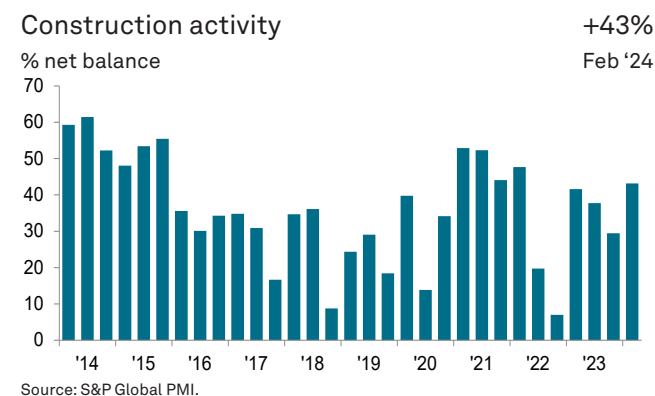
Growing confidence among construction firms was linked to hopes of improving economic conditions, greater workflows, the introduction of new technologies and interest rate cuts.

Consequently, construction firms planned greater expansions in staffing and capital expenditure compared to those recorded last October. The net balance regarding employment rose from +21% to +27%, while capex

sentiment climbed from +7% to +12%. In both cases, optimism was higher than in the manufacturing and services sectors. Research & development budgets were expected to remain stable, however.

Although construction companies generally viewed inflation as less of a hindrance to business activity over the coming year, survey comments suggest that uncertainty over prices and interest rates remains elevated. Moreover, expectations of increases in both staff and non-staff costs accelerated in February, with the former rising to the highest level since October 2022 (+68%). Businesses often noted that a shortage of skilled candidates was likely to drive costs higher.

In turn, firms more widely predicted having to raise their selling prices over the next 12 months. After hitting an over three-year low of +27% last October, the respective net balance rose to +38% in February. That said, this was still the second-lowest since June 2020.





# Anecdotal evidence: opportunities

This page includes a selection of comments provided by survey respondents on expected business opportunities over the next 12 months.

**“Increased wholesale opportunities”**

Food & Drink

**“Growing markets in India”**

Food & Drink

**“Restructure of product range”**

Textiles & Clothing

**“Defence sector and green-related manufacturing spend”**

Electrical

**“New and emerging markets, both geographically and tech driven”**

Electrical

**“Improved demand in the construction market”**

Chemicals & Plastics

**“Growing technologies, such as EV battery”**

Chemicals & Plastics

**“Efficiency increases and sales opportunities in emerging markets”**

Transport

**“Online presence to increase”**

Timber & Paper

**“Urgent customer needs due to destocking”**

Metals

**“Middle East growth”**

Metals

**“Export orders”**

Metals

**“Interest rate reductions and lower inflation”**

Mechanical Engineering

**“Aerospace industry growth”**

Mechanical Engineering

**“Competitors going bust”**

Other Manufacturing

**“Pick up in real incomes and consumer demand”**

Hotels & Restaurants

**“Easing housing market”**

Hotels & Restaurants

**“Staying afloat will bring extra business”**

Transport & Storage

**“Investing in new equipment and training more staff”**

Transport & Storage

**“Business optimism”**

Financial Intermediation

**“New markets in Europe”**

Financial Intermediation

**“AI”**

Financial Intermediation

**“Lower interest rates”**

Renting & Business Services

**“Move from UK supply to import due to lower input costs abroad”**

Renting & Business Services

**“Continued recovery of the UK economy”**

Renting & Business Services

**“Dependent on the political environment”**

Renting & Business Services

**“Introduction of new technology”**

Construction

**“Less competition”**

Construction

**“Rate of cost inflation easing”**

Construction

**“Market share gains”**

Construction

# Anecdotal evidence: threats

This page includes a selection of comments provided by survey respondents on the expected threats to the business outlook over the next 12 months.

**“Higher prices with minimum wage going up”**

Food & Drink

**“Impact of Red Sea issues”**

Food & Drink

**“Sustainability pressures”**

Textiles & Clothing

**“Global elections”**

Electrical

**“Brexit still a hurdle”**

Electrical

**“Economic slowdown driven by high interest rates”**

Electrical

**“Economic uncertainty”**

Chemicals & Plastics

**“Cheap imports from Asia”**

Chemicals & Plastics

**“Staffing and material costs”**

Transport

**“Global instability limiting sales opportunity”**

Timber & Paper

**“Wage inflation”**

Timber & Paper

**“Lower European demand”**

Metals

**“Lack of investment in manufacturing”**

Metals

**“War in Middle East and Ukraine”**

Mechanical Engineering

**“Volume of trade and lack of cash flow”**

Mechanical Engineering

**“Consumer confidence”**

Other Manufacturing

**“Cost of living leading to holidays being cut back”**

Hotels & Restaurants

**“Footfall on the high street”**

Hotels & Restaurants

**“Welsh tourism tax”**

Hotels & Restaurants

**“Global conflicts”**

Transport & Storage

**“Staff costs and availability”**

Transport & Storage

**“Continued pressure on UK manufacturing”**

Transport & Storage

**“Uncertainty caused by general election”**

Financial Intermediation

**“Regulation and AI”**

Financial Intermediation

**“Increases on rents and rates”**

Renting & Business Activities

**“Reduction in house moves”**

Renting & Business Activities

**“Loss of staff to competitors”**

Renting & Business Activities

**“Increase in living wage”**

Other Services

**“Political uncertainty”**

Construction

**“Competitors offering lower prices”**

Construction

**“Material availability due to issues in Middle East”**

Construction

# Data

The survey uses percentage net balances to indicate the degree of optimism or pessimism for each of the survey questions. These net balances vary between -100 and 100, with a value above 0.0 signalling a positive outlook for the coming 12 months.

Composite net balances are weighted averages of the manufacturing and services net balances. The weights reflect the relative size of the manufacturing and service sectors according to official data.

## Composite

% net balance

	Business Activity	Profits	Employment	Capital Expenditure	Research & Development	Prices Charged	Staff Costs	Non-staff Costs
Jun-22	+28	-2	+21	+1	-1	+59	+80	+67
Oct-22	+18	-13	+11	-7	-8	+58	+77	+69
Feb-23	+43	+16	+26	+5	-3	+50	+77	+59
Jun-23	+40	+15	+21	+5	+3	+45	+72	+51
Oct-23	+37	+17	+19	+3	-4	+43	+73	+47
Feb-24	+49	+26	+24	+8	0	+47	+72	+50

## Manufacturing

% net balance

	Business Activity	Profits	Employment	Capital Expenditure	Research & Development	Prices Charged	Staff Costs	Non-staff Costs
Jun-22	+35	+6	+27	+6	+3	+64	+85	+67
Oct-22	+24	-5	+7	-2	-4	+57	+80	+67
Feb-23	+53	+27	+26	+10	+10	+45	+81	+52
Jun-23	+43	+25	+20	+12	+9	+34	+72	+45
Oct-23	+44	+22	+14	+3	+2	+32	+70	+44
Feb-24	+49	+27	+15	+7	0	+37	+73	+42

## Services

% net balance

	Business Activity	Profits	Employment	Capital Expenditure	Research & Development	Prices Charged	Staff Costs	Non-staff Costs
Jun-22	+26	-3	+20	0	-2	+58	+79	+66
Oct-22	+17	-14	+12	-8	-9	+58	+77	+70
Feb-23	+41	+14	+26	+4	-5	+51	+77	+60
Jun-23	+39	+13	+22	+3	+2	+47	+72	+52
Oct-23	+36	+17	+19	+3	-5	+45	+74	+47
Feb-24	+49	+25	+25	+8	0	+48	+72	+51

## Construction

% net balance

	Business Activity	Profits	Employment	Capital Expenditure	Research & Development	Prices Charged	Staff Costs	Non-staff Costs
Jun-22	+20	-1	+19	+12	-2	+79	+75	+72
Oct-22	+7	-1	+5	-3	-7	+56	+70	+62
Feb-23	+42	+15	+26	+13	0	+57	+65	+42
Jun-23	+38	+27	+27	+8	-7	+41	+60	+37
Oct-23	+29	+21	+21	+7	-7	+27	+55	+32
Feb-24	+43	+24	+27	+12	0	+38	+68	+39

# Global Outlook

Business confidence rises amid signs of economic conditions improving

Confidence ticks higher in February

Sentiment up across both manufacturing and services

Optimism improves in the US, Eurozone, UK, India and Brazil, but falls in mainland China and Russia

Employment and investment plans remain muted globally

Selling price expectations stubbornly elevated



Composite business activity  
% net balance

	USA	Eurozone	Japan	UK	China	India	Brazil	Russia
Oct-23	+34	+10	+22	+37	+18	+17	+40	+41
Feb-24	+36	+20	+22	+49	+15	+34	+41	+38

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