

EMBARGOED UNTIL: 00:01 (UK) July 12th 2021

UK businesses forecast record growth in employment, Accenture/IHS Markit UK Business Outlook finds

- **Hiring intentions among UK businesses improve to a record high, with capital expenditure and R&D plans also strengthening**
- **UK business confidence continues its upward trajectory, with optimism the strongest of all globally monitored countries**
- **Major supply side concerns remain over workforce costs and prices of goods**

UK business optimism continued to strengthen midway through the year, as expectations of a strong recovery enabled firms to plan a record increase in staffing levels over the next 12 months, according to the **Accenture/IHS Markit UK Business Outlook**.

Two thirds of UK private sector firms (67%) expect an increase in business activity during the year ahead, compared to just 9% that project a reduction. At +58% in June, the resulting net balance of business expectations rose to its highest level in six years.

Improved activity expectations paved the way for another robust profits forecast, with a net balance of +37% of firms expecting profits to increase over the coming year.

As a result, **UK firms increasingly made plans to boost business investment and increase employment**. Staff hiring plans were particularly strong, with a record net balance of +41% of companies expecting to increase employment in the coming year.

June data indicated that **most firms had seen a recovery in business activity from the COVID-19 pandemic**, with approximately 51% of survey respondents stating that output was the same or higher than February 2020 levels. Notably, almost two-thirds of construction firms reported a recovery in output, compared with 62% of manufacturers and 49% of services firms.

Commenting on the survey, Rachel Barton, Strategy & Consulting lead at Accenture UK & Ireland, said:
“Despite continued uncertainty, it is hugely encouraging that confidence remains high amongst British businesses. However, the most positive signal is that the confidence appears to be translating into action, with companies now hiring and investment plans at a high point.”

“The challenge for business is to invest in a way that inspires sustainable growth by hiring people with the right skills and investing in the right technologies that will deliver for the long term.”

Capital expenditure and research & development plans also strengthened, improving to the highest for six years with net balances of +20% and +11% respectively. Investment forecasts remained stronger among manufacturing firms, though service providers also saw a further marked improvement from the record lows recorded a year ago.

After topping the list for business activity in February, hotels & restaurants saw a steep drop in optimism amid expectations that the post-reopening jump in demand will cool off, while staff shortages and rising prices were also highlighted as possible risks to growth. On the manufacturing side, the **transport and food sectors saw the largest improvements in output expectations**, while sectors that have been severely impacted by global supply issues recorded a drop in confidence, including timber, metals and textiles producers.

Inflationary pressures – a potential sting in the tail?

Supply-side risk factors led to increasing concerns about inflation among UK businesses, as approximately 60% of surveyed firms expect non staff costs to increase, compared to just 5% that forecast a reduction. The resulting net balance of +55% was the highest on record. Staff shortages and intended hiring growth meanwhile meant that

expectations for rising staff costs were also at a series-record high of +70%. This compared with an EU average of +42% with some firms commenting that Brexit contributed to a reduced pool of available workers.

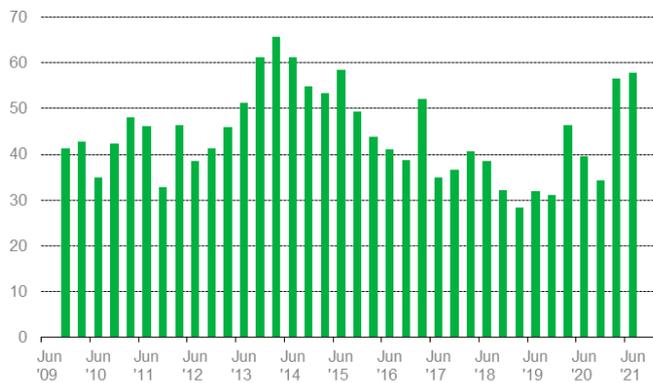
With earnings stretched by the pandemic, firms are increasingly looking to pass these costs onto their customers. A record net balance of +48% of businesses plan to raise their selling prices, giving a strong indication that **consumer price inflation could accelerate over the second half of the year.**

Rachel Barton added: *“The cautionary note in this overwhelmingly positive outlook is the potential for rising costs and supply chain pressures. Many businesses have used the pandemic to restructure their supply chains to bring production closer to the point of demand. This, and other measures, will help them be more agile in the future and build back better, more sustainably.”*

The full report and accompanying data are available on request from economics@ihsmarkit.com.

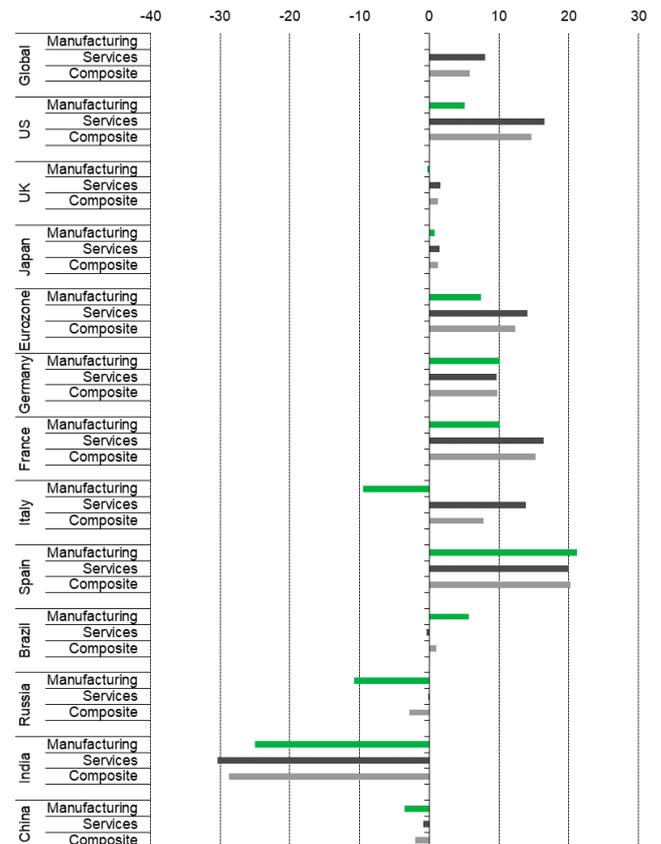
UK business activity expectations

(% net balance of optimists less pessimists)



How business activity expectations have changed between February 2021 and June 2021

Change in optimism regarding business activity in 12 months' time*



* chart shows net balance of optimists less pessimists in June compared to net balance in February.

For further information, please contact:

IHS Markit

Tim Moore
Economics Director
Telephone +44 149 146 1067
tim.moore@ihsmarkit.com

David Owen
Economist
Telephone +44 207 064 6237
david.owen@ihsmarkit.com

Pollyanna De Lima
Economics Associate Director
Telephone +44 149 146 1075
pollyanna.delima@ihsmarkit.com

Joanna Vickers
Public Relations
Telephone +44 207 260 2234
Joanna.vickers@ihsmarkit.com

Andy Rowlands
UK Media Lead
Telephone +44 7952 594 784
andy.rowlands@accenture.com

Notes to Editors:

The Global Business Outlook Survey for worldwide manufacturing and services is produced by IHS Markit 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/IHS Markit 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 June 11-28.

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 IHS Markit 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 in the countries mentioned above. 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.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners © 2021 IHS Markit Ltd. All rights reserved.

About Accenture (www.accenture.com)

Accenture is a global professional services company with leading capabilities in digital, cloud and security. Combining unmatched experience and specialized skills across more than 40 industries, we offer Strategy and Consulting, Interactive, Technology and Operations services — all powered by the world's largest network of Advanced Technology and Intelligent Operations centers. Our 514,000 people deliver on the promise of technology and human ingenuity every day, serving clients in more than 120 countries. We embrace the power of change to create value and shared success for our clients, people, shareholders, partners and communities. Visit us at www.accenture.com.

The intellectual property rights to the Business Outlook survey provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trademarks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Limited.

If you prefer not to receive news releases from IHS Markit, please email Pollyanna.DeLima@ihsmarkit.com. To read our privacy policy, [click here](#).
If you prefer not to receive news releases from Accenture, please email ukmediateam@accenture.com. To read our privacy policy, [click here](#).