

**EMBARGOED UNTIL: 00:01 (UTC) March 10<sup>th</sup> 2020**

## IHS Markit UK Business Outlook

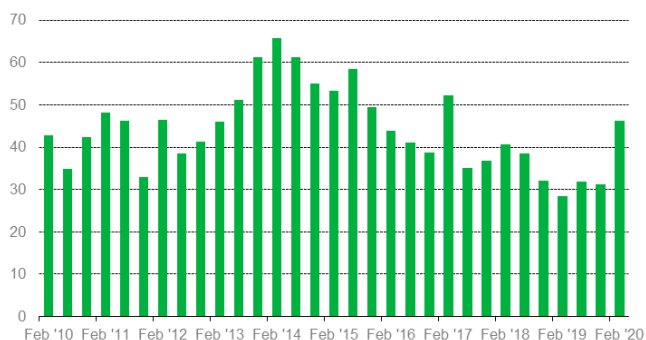
UK business expectations improve in mid-February, but global business sentiment subdued as COVID-19 looms over outlook

### Key findings:

- UK private sector firms reported rising business optimism, led by manufacturing, but vast majority of responses were before the last week of February
- Worldwide firms cautious as COVID-19 outbreak spreads
- Lowest sentiment seen in China, followed by Japan
- Lack of global optimism around hiring, profits and investment

Data collected February 12-27

### UK business activity expectations



Source: IHS Markit.

February data from the **IHS Markit UK Business Outlook** survey indicate a rise in business optimism across the UK private sector, driven by a post-election boost to growth expectations and receding political uncertainty.

The net balance of UK private sector firms forecasting a rise in business activity during the next 12 months reached +46% in February, but the vast majority of survey responses were collected before the final week of the month. Manufacturing optimism (+54%) was the highest since June 2018, while service sector growth expectations (+45%) reached a three-year peak.

### Global business activity expectations

Global business sentiment remains subdued in February, overshadowed by the outbreak of the coronavirus disease 2019 (COVID-19). The latest survey was conducted prior to the more significant spread of the virus outside east Asia, and so the data are most clearly impacted in China and Japan. Elsewhere, sentiment has ticked up from the decade low seen in October but remains historically weak. Data for the latest survey were collected between the 12<sup>th</sup> and 27<sup>th</sup> of February.

The outlook is likely to have worsened since the survey was undertaken as threats expand out from disruption to global supply chains to include impacts from outbreaks in other countries and the effects of measures designed to prevent the further spread of the disease.

Employment and investment intentions are muted amid uncertainty as to how the virus will evolve, while cost inflationary pressures look set to intensify due to disruption to supply chains. All of these factors combine to create a lack of optimism around the outlook for profits among firms globally.

The February **IHS Markit Global Business Outlook Survey** – based on responses from a panel of 12,000 companies and conducted three times per year – shows the net balance of global firms predicting output to rise over the coming year minus those predicting a decline is at +18% in February, up only marginally from the decade low of +14% last October and remaining among the weakest since the global financial crisis.

### East Asia sees worsening outlook

The lowest sentiment in terms of business activity in February is recorded in those countries situated in east Asia, where the virus emanated. Confidence among Chinese companies is the lowest on record, with the net balance dropping sharply to just +1%. Moreover,

Chinese service providers are pessimistic regarding the 12-month outlook for activity, the first time this has been the case in more than ten years of data collection.

Japan has also seen a slump in optimism, dropping to the lowest since the October 2010 survey. Worries about the duration of the COVID-19 outbreak, weaker demand from China and other key export markets in Asia and supply chain disruption are all impacting the outlook, but other issues including staff shortages and population decline are also mentioned.

**Comment:**

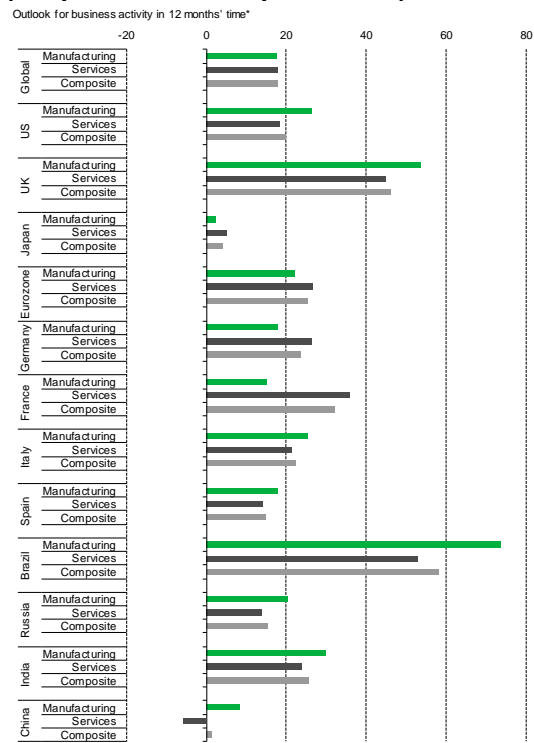
Commenting on the survey, **Tim Moore**, Economics Director at IHS Markit, said:

*“February’s UK business outlook data provide an insight into private sector growth projections prior to the spread of the COVID-19 outbreak across Europe. The vast majority of survey responses were collected prior to the final week of February and these highlighted a recovery in optimism amid stronger business expectations in both manufacturing and services.”*

*“At the same time, business optimism has tumbled in China, falling to its lowest in over ten years of data collection. Concerns about the longer-term impact of the COVID-19 outbreak has impacted output growth expectations and business investment intentions elsewhere in the East Asia region and this is more than likely to have occurred since the survey data were collected in Europe and the US.”*

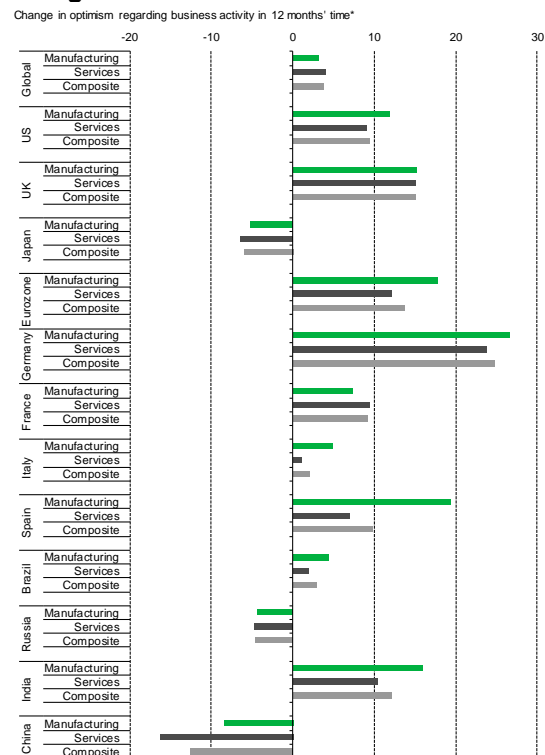
Full data are available on request from [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com)

**Business optimism in February**  
(% optimists less % pessimists)



\* chart shows net balance of optimists less pessimists in February.

**How business activity expectations have changed since October**



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

**For further information, please contact:****IHS Markit**

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**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 latest survey was conducted between February 12 and 27.

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 7,000 firms.

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