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IHS Markit Global Business Outlook

Vaccine progress lifts global business confidence

- Sentiment towards business activity hits three-year high
- Largest improvements seen in Europe, particularly Spain, Ireland and the UK
- Confidence unchanged on late-last year in Brazil, China, Japan and the US
- Staff hiring and investment plans improve globally, led by upward revisions in Europe
- Inflationary pressures set to intensify due to difficulties in international shipping

The **IHS Markit Global Business Outlook Survey** – based on responses from a panel of 12,000 companies between February 2-25 – pointed to a notable improvement in business confidence at the start of the year. At +32%, up from +26% in October 2020, the **business activity** net balance indicated the strongest degree of optimism in three years.

France, Ireland, Italy, Germany, Spain and the UK led the rebound in confidence, reflecting expectations of relatively tight COVID-19 restrictions being eased in the coming months. The extension of vaccine rollout to wider age groups and reductions in case numbers relative to last year underpinned hopes that controls will soon start to be lifted. Sentiment also picked up in Russia and India, the latter notably at its highest since 2014. Optimism was unchanged in Brazil, mainland China, Japan and the US, all of which had already seen strong improvements in confidence late-last year.

Vaccine success and anticipations that restrictions will soon be eased also boosted **hiring plans**. The net balance of companies expecting to increase employment was the highest in two years globally, with growth predicted in each of the 12 economies for which comparable data are available. UK firms were the most upbeat towards job creation, followed by those in Ireland and Germany, with the degree of optimism the strongest since mid-2015. Brazil was the only country to see a downward revision to hiring intentions since last October.

There was a resurgence in budgeted **capital expenditure** (capex) during February. After investments had generally been cancelled or postponed during the pandemic, companies upped their capex goals for the coming 12 months. Confidence on this front was at its highest in close to two-and-a-half years. Notably, capex intentions turned positive in France, Germany, Spain and the UK after being negative late last year. In contrast, firms in Brazil and the US revised down their capex plans.

Global companies were increasingly willing to lift **research and development** spending (R&D) over the course of the coming 12 months, with the overall level of confidence the highest since comparable data were first available two years ago. Again, the aggregate figure was boosted by significant improvements across Europe, even with lingering pessimism in France. Despite remaining positive, sentiment weakened in Brazil, India and the US.

Raw material shortages and the global shipping crisis pushed **input cost inflation** expectations higher during February. A net balance of +26% of private sector companies predicted stronger inflationary pressures, the highest figure since the global financial crisis. Upward revisions to input cost expectations were noted in all economies bar Brazil, Japan, India and Russia.

Companies were confident that part of the expected increase in their cost burdens can be shared with customers and intend to lift **selling prices**. The largest proportion of firms planning to raise output charges was recorded in the UK, followed by Russia, Ireland, Brazil and the US respectively.

Commenting on the survey, **Pollyanna De Lima**, Economics Associate Director at IHS Markit, said:

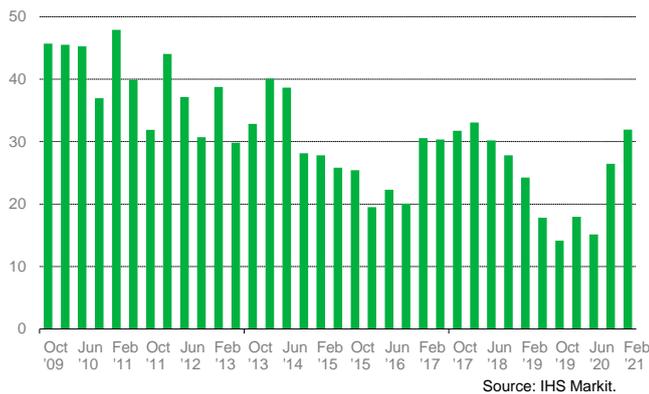
“The February results showed a noticeable improvement in global business confidence to the brightest since early-2018. Optimism towards business activity and employment has strengthened on the back of COVID-19 vaccine rollouts and hopes that social distancing and travel restrictions will end. Firms intend to expand operating capacities by replacing staff laid off due to the pandemic, amid efforts to cope with expected increases in new work. In particular, we’ve seen notable rebounds in sentiment towards output and jobs across Europe.

“Investment intentions also improved in February, which bodes well for the sustainability of the recovery. Optimism regarding capital expenditure reached the highest since late-2018, largely reflecting a bounce back in France, Germany, Spain and the UK from the downbeat projections signalled last October. Firms in all nations bar France also look set to lift research & development spending over the coming 12 months.

“A key concern widely reported by businesses is that the recovery remains vulnerable to being disrupted by the shipping crisis and its impact on expenses. Input cost inflation expectations surged to the highest since the global financial crisis. Companies expect that rising demand will offer some room for price hikes, with the net balance of companies planning to increase their selling prices running at the highest since October 2018.”

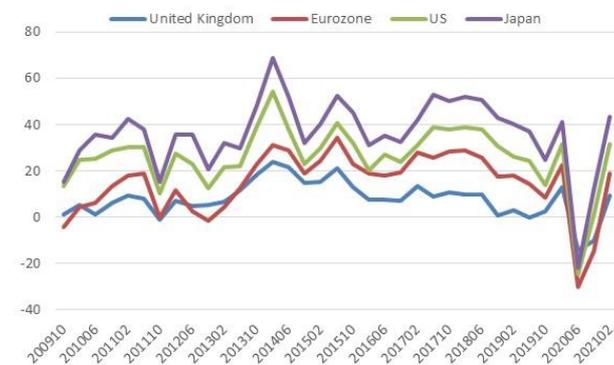
Global business activity expectations

(% net balance of optimists less pessimists)

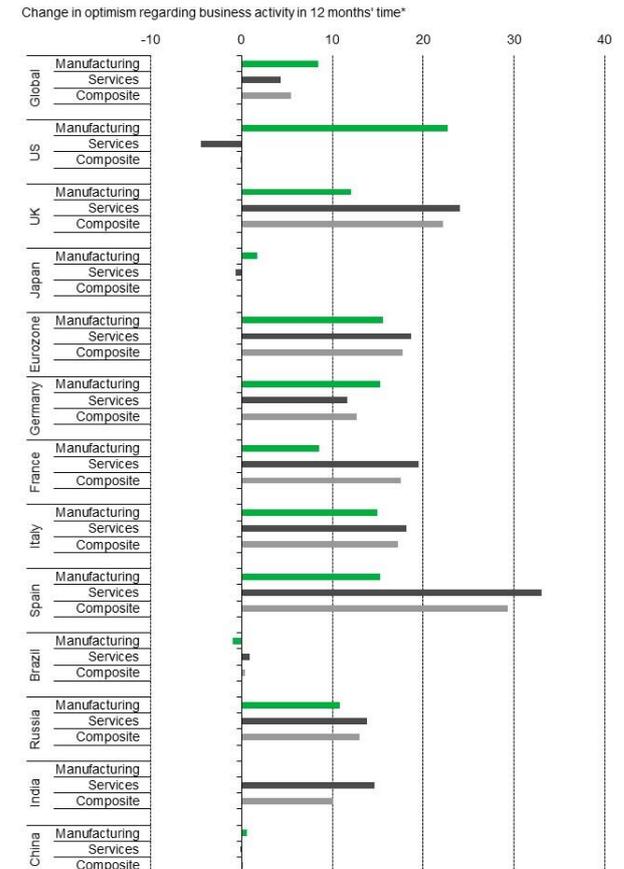


Capex intentions in major developed markets

(% net balance of optimists less pessimists)



How business activity expectations have changed between October 2020 and February 2021



The full report and accompanying data are available on request from economics@ihsmarkit.com. Individual country reports can be accessed in our [Press Release](#) website.

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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 2 and 25.

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, 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 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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