

dun & bradstreet

Global Business Optimism Insights

Q3 2023

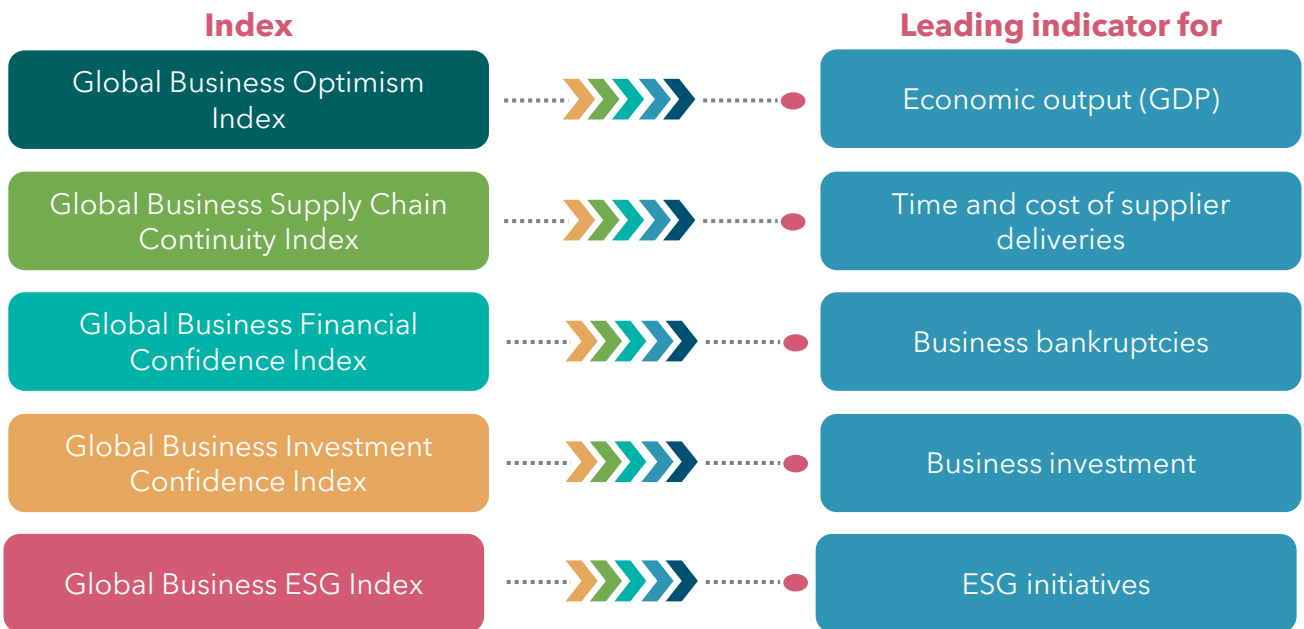


INTRODUCTION

Dun & Bradstreet’s Global Business Optimism Insights (GBOI), the inaugural edition, is a quarterly report that not only aims to gauge the optimism levels of businesses globally, but also provides a unique and comprehensive view into the thinking behind the operational and investment expectations of business leaders.

The GBOI is an amalgamation of 5 indices: Global Business Optimism Index, Global Business Supply Chain Continuity Index, Global Business Financial Confidence Index, Global Business Investment Confidence Index, and Global Business ESG Index. Apart from global-level indices, these five indices are also constructed for 32 economies, 17 sectors, and 3 business sizes. The indices range from 0 to 100, with a reading above 50 indicating an improvement and below 50 a deterioration (both compared with the same period in the previous year). The indices were created by synthesizing findings from a survey of approximately 10,000 businesses across 32 economies, along with insights from Dun & Bradstreet’s proprietary data and economic expertise.

THE INDICES



SUMMARY OF KEY FINDINGS

The Q3 2023 GBOI found that the global economy is expected to grow, though slower than it did in Q2 2023 due to the decline in advanced economies in contrast with the growth in emerging economies. A slowdown in the global economy and stress on corporate balance sheets have been brought about by the unprecedented monetary tightening, which assisted in controlling inflation in certain economies. However, the global economy has not fared as badly as expected, since most businesses expect a 2% to 6% expansion in their investment levels across technology, real estate, product development, and sustainability projects, providing hope for an improvement in economic conditions. The global economy will now enter a phase of greater policy divergence, as was witnessed when some key central banks chose different paths regarding interest rates. In addition, a key divergence that could emerge is between monetary and fiscal policy as governments try to protect jobs and livelihoods during the impending slowdown.

HEADLINE FINDINGS

- The **Global Business Optimism Index** declined 1.5% in Q3 2023, compared with Q2 2023; it declined 2% for advanced economies and grew 0.4% for emerging economies.
- The **Global Business Supply Chain Continuity Index** declined 5.8% in Q3 2023, compared with Q2 2023, indicating increased delivery time and cost as economic uncertainty and regulations now trump input costs as the top risks to supply chains.
- The **Global Business Financial Confidence Index** declined 1.3% in Q3 2023, compared with Q2 2023, due to continued stress on balance sheets and unprecedented monetary tightening.
- The **Global Business Investment Confidence Index** improved 1.4% in Q3 2023, compared with Q2 2023, as businesses expect productive slack to shrink this year, indicating optimism around investment recovery through 2023.
- The **Global Business ESG Index** for continental Europe lags the US and Asia due to differing energy security interests and approaches to renewable energy within the region.

Index	Q2 2023	Q3 2023	q/q change
a) Global Business Optimism Index	53.3	52.5	▼
b) Global Business Supply Chain Continuity Index	53.7	50.6	▼
c) Global Business Financial Confidence Index	52.8	52.2	▼
d) Global Business Investment Confidence Index	52.7	53.4	▲
e) Global Business ESG Index	60.9	-	-

BY SECTOR

Sector	(a)	(b)	(c)	(d)	(e)
Accommodation and food service activities	54.2	-	49.3	53.0	63.6
Construction	51.6	51.4	49.5	52.7	58.8
Financial and insurance activities	49.9	-	51.3	52.7	61.2
Information and communication	53.6	-	53.4	54.1	62.7
Mfg. : automotive	51.2	55.0	50.5	53.4	63.0
Mfg. : capital goods	51.8	51.9	51.8	56.7	59.2
Mfg. : chemicals, rubber, plastics, and pharma	52.7	50.5	51.5	53.0	62.7
Mfg. : electricals, electronics, and hardware	53.4	52.2	51.9	51.0	60.7
Mfg. : food, beverages, and tobacco	52.2	57.4	53.6	55.0	60.8
Mfg. : metals	52.1	52.2	57.1	58.6	63.5
Mfg. : textiles, wood, paper, and leather	53.1	50.0	52.8	55.1	59.8
Mining	51.5	44.8	53.3	53.9	60.4
Other services - professional and administrative	52.9	-	51.8	51.9	61.5
Real estate activities	52.3	-	52.1	53.2	59.8
Transportation and storage	53.7	48.3	52.1	49.1	58.6
Utilities	53.4	50.0	52.3	52.3	62.6
Wholesale and retail trade	54.1	51.0	53.2	54.4	60.1

Note: Global Business Supply Chain Continuity Index is not calculated for Services Industry (Accommodation, Finance, IT, Real Estate and Other services) as the impact of supply chain disruptions is not considered significant to the core operations of such firms.

Global Business Optimism Index

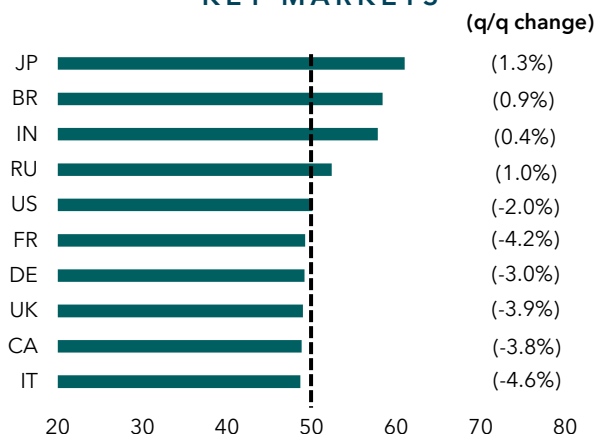
Index Value

52.5

KEY FINDINGS

- Overall, the global business optimism levels for Q3 2023 are down 1.5% compared with Q2 2023 as growth slows. It declined 2% for advanced economies and grew 0.4% for emerging economies.
- Businesses across Financial Services (49.9), Automotive (51.2), Mining (51.5), and Metals (52.1) are least optimistic, whereas those across Utilities (53.4), Trade (54.1), and Hospitality (54.2) are most optimistic for growth.
- Businesses in emerging economies such as Brazil (0.9%) and India (0.4%) report some of the biggest jumps in optimism for Q3 2023; Eurozone markets report the biggest declines (-3.9%)
- Businesses expect input and selling prices to decline in Q3 2023, in line with falling global inflation.

KEY MARKETS



BY BUSINESS SIZE

Small	Medium	Large
52.6	52.8	52.3

The Global Business Optimism Index shows marginal declines in Q3 2023 across most sub-indices, except input prices and new export orders. This reflects the global macro picture today. Business leaders now seem assured that inflation is firmly trending down, but the unprecedented monetary tightening that has led to this outcome has also introduced the specter of an economic slowdown. This is further evidenced in some of the sharpest declines in index values for the eurozone, where the largest economy, Germany, is already in recession. India, Japan, and Brazil - economies that are likely to be global outperformers in terms of growth in 2023 - show remarkable resilience in their index values.

Sub-indices



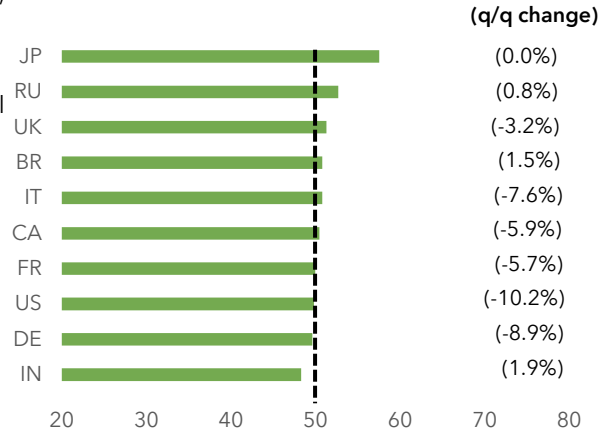
Global Business Supply Chain Continuity Index

Index Value
50.6

KEY FINDINGS

- The global business supply chain continuity index is down 5.8%, compared with Q2 2023, due to increased delivery time and cost
- Midsized businesses are slightly more optimistic than their small and large counterparts.
- Taiwan (46.3), Turkey (47.1), and Mexico (47.4) have the lowest optimism for supply chains, whereas Japan (57.6) and South Korea (55.7) are the most optimistic.
- As global demand is expected to weaken, 27% businesses see economic uncertainty as the top threat to their supply chain continuity. 21% businesses also consider regulatory challenges and non-tariff measures as the top sources of risk.

KEY MARKETS



BY BUSINESS SIZE

Small	Medium	Large
50.5	51.1	50.3

As the disruptions created by the pandemic and the energy price shock subsided, supply chains started functioning smoothly again and the outlook improved, as compared with the previous year. However, the near-term outlook is souring again, with a decline in the index value for the next quarter, likely due to geopolitical considerations testing supply chain resilience. Unsurprisingly, as global demand is expected to weaken, businesses see economic uncertainty as the top threat to supply chain continuity. At the same time, regulatory challenges, reflecting the increasing number of new regulations (e.g., in the ESG space in large economies such as the euro area), and non-tariff measures (such as export controls implemented around the world) also feature as the top sources of risk. Geopolitical instability is another key risk that could lead businesses to increase supply chain diversification faster than expected.

Sub-indices



Top Risks to Supply Chains

(% of businesses)



Global Business Financial Confidence Index

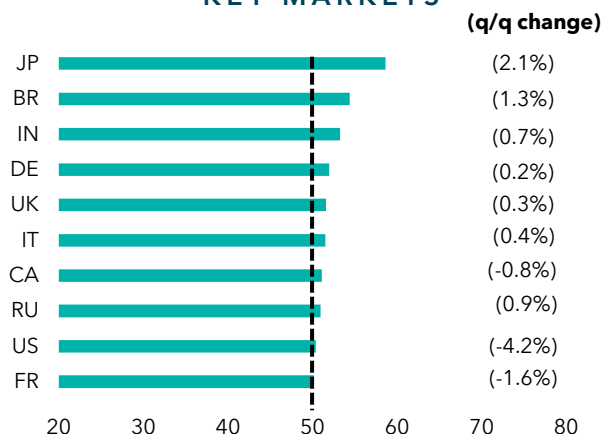
Index Value

52.2

KEY FINDINGS

- The global business financial confidence index has declined 1.3%, compared with Q2 2023, due to continued stress on balance sheets and unprecedented monetary tightening.
- Businesses in the Czech Republic (49.2), France and Mexico (50.2), Spain (50.3), and the US (50.4) are the least confident about their financial conditions, whereas those in Japan (58.7), South Korea (58.3), and Turkey (58.2) are the most confident.
- Hospitality (49.3) and construction (49.5) are the least confident, while metal manufacturers (57.1) and food & beverages (53.6) are the most confident.

KEY MARKETS

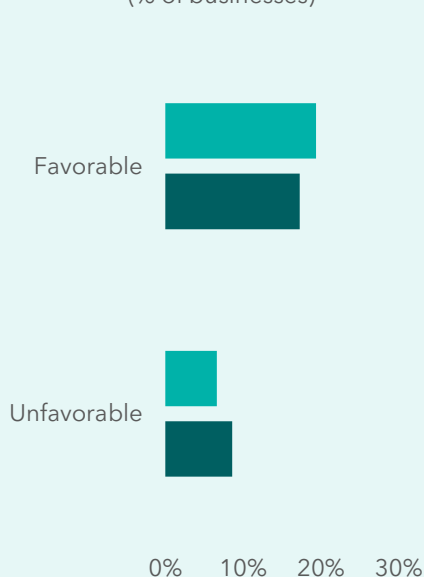


BY BUSINESS SIZE

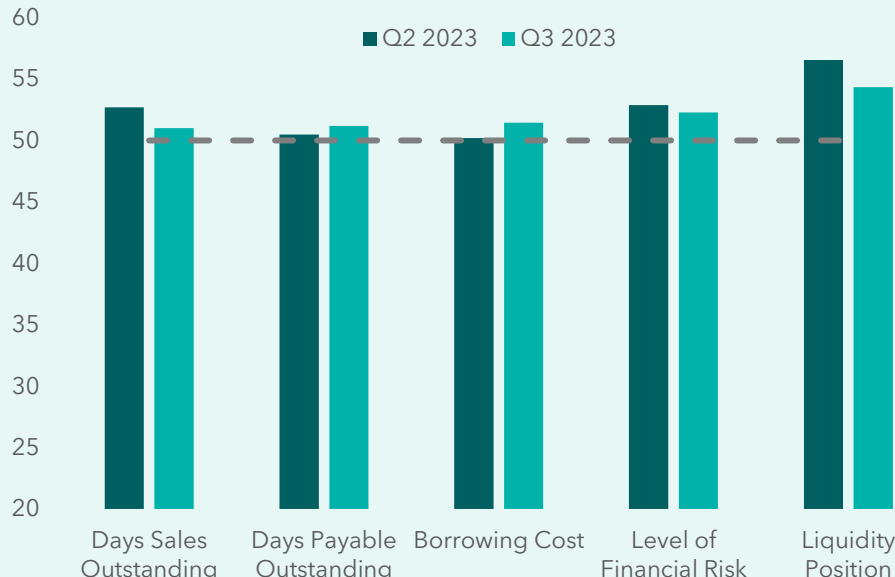
Small	Medium	Large
51.9	52.8	51.8

Since the failure of three mid-sized US banks and one systemically large European bank caused a rise in financial market risk premia, market sentiment has stabilized. However, given the macroeconomic uncertainties, there is a risk that unexpected hikes in market interest rates and/or a deterioration in economic outlooks could lead to sharp reductions in asset prices; this will further tighten conditions for businesses and possibly drive a decline in financial confidence level. Although global inflation risks and volatility have fallen, underlying price pressures are still high, which will act as a floor to interest rates. Despite these risks, businesses expect the environment for raising capital to improve, with more businesses expecting borrowing costs to fall later in the year.

Environment for Raising Capital (% of businesses)



Sub-indices



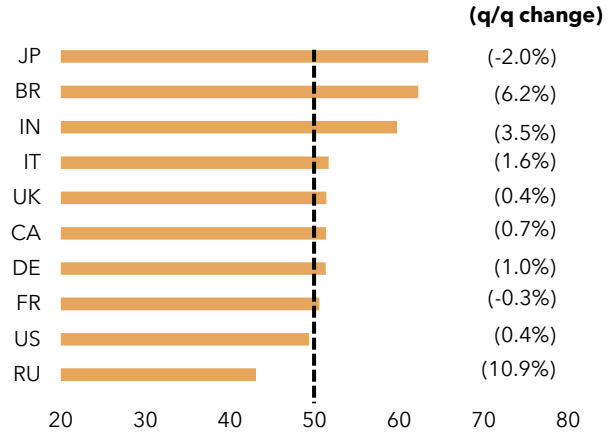
Global Business Investment Confidence Index

Index Value
53.4

KEY FINDINGS

- The global business investment confidence index increased 1.4% in Q3 2023, compared with Q2 2023, as businesses expect capacity utilization rate to go up this year.
- Japan (63.5) leads advanced economies, while Turkey (67.1) and Indonesia (64) are among the top emerging economies.
- Metal manufacturers (58.6) and capital goods (56.7) have the highest level of investment confidence, while transportation and storage (49.1) have the lowest.
- Technology and R&D investments top the list of expected capital expenditure, with nearly 40% businesses anticipating 6-10% growth in investments for these categories, indicating that businesses exposed to these sectors can leverage the underlying growth opportunities.

KEY MARKETS

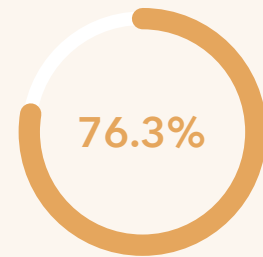


BY BUSINESS SIZE

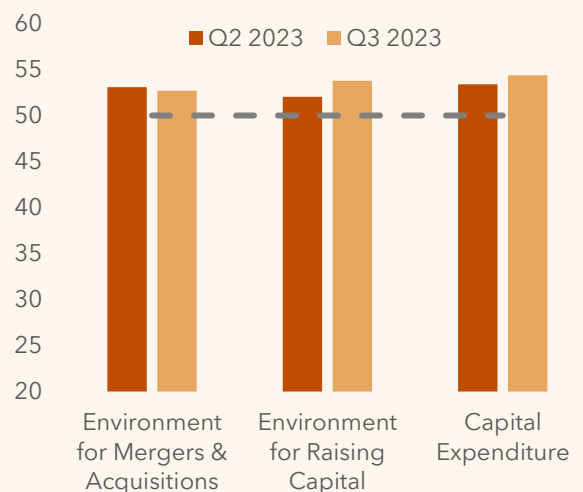
Small	Medium	Large
54.0	53.2	53.1

Global business investment confidence is picking up. Prospects looked extremely bleak last year as economic shocks created investor uncertainty. Recessionary fears, high inflation, and financial market instability knocked confidence and caused many investment plans to be shelved. While not yet out of the woods, the global economy has not fared as badly as feared and investment flows have begun to recover. FDI flows to Japan have recently reached record levels and the country tops our index among advanced economies. Businesses expect productive slack to shrink this year, with capacity utilization improving from 69.7% in Q2 to 76.3% in Q3, indicating optimism around investment recovery through 2023.

Capacity Utilization: Q3 2023



Sub-indices



Anticipated Investment Growth (% of businesses)

	-2% to -5%	-1% to 1%	1% to 2%	2% to 4%	4% to 6%	6% to 10%	>10%
Technology	0%	5%	0%	32%	15%	42%	6%
Marketing	0%	5%	0%	37%	28%	26%	3%
Real Estate	1%	14%	0%	37%	37%	7%	4%
R&D/Product Development	0%	6%	0%	22%	28%	39%	5%
Sustainability Measures	1%	6%	0%	39%	13%	37%	4%

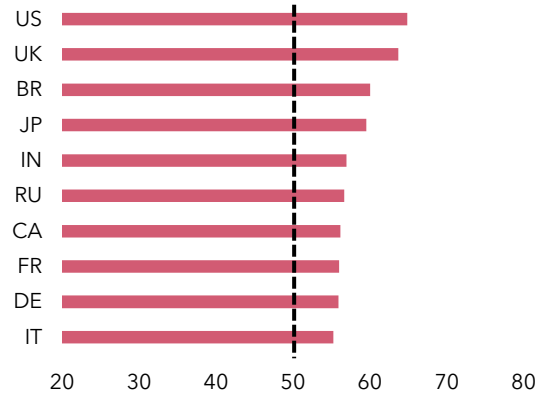
Global Business ESG Index

Index Value
60.9

KEY FINDINGS

- The global business ESG index in Q2 for continental Europe (58) lags the US (65) and Asia (59.7), due to differing energy security interests and approaches to renewable energy.
- Midsized companies (62.2) show a strong commitment to sustainability measures.
- The index is the highest for automotive (63) and metals (63.5) due to their sustainability practices, with focus on green energy and supplier audits, and lowest for transportation (58.6) and construction (58.8).
- 28% of businesses consider quantifying ROI and 25% consider demand for sustainable products/services as the key challenges.

KEY MARKETS

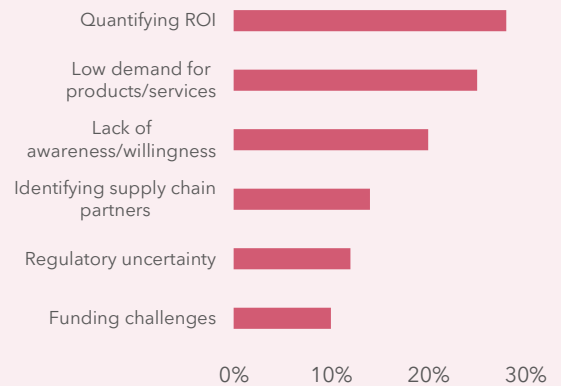


BY BUSINESS SIZE

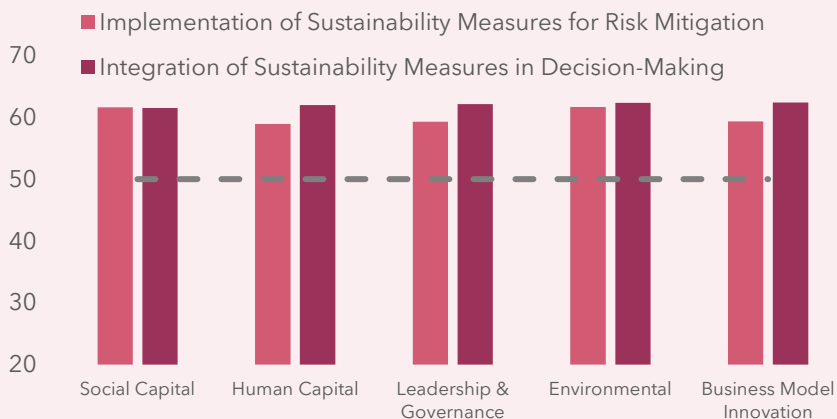
Small	Medium	Large
60.9	62.2	59.9

Countries in continental Europe trail behind Asia and the US, due to differing energy security interests and approaches to renewable energy. Some European nations prioritize renewables for industry and reduced import dependence, while others prioritize stable energy supply and view renewables as costly and volatile. Despite encouraging sustainability integration in decision-making across various aspects, challenges include quantifying returns on investment and low demand for sustainable products and services. However, 41% of businesses expect ESG-related investment to grow more than 6% in 2023, emphasizing the rising significance of sustainability in investment strategies.

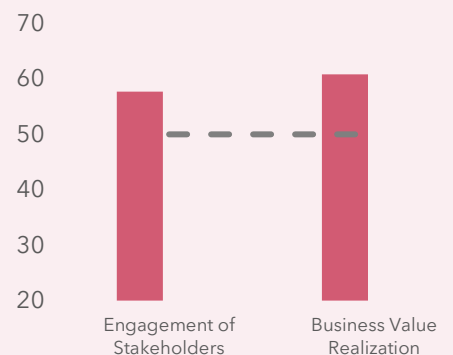
Top Challenges (% of businesses)



Sub-indices



Sub-indices



Key Recommendations

- Businesses exposed to advanced economies should exercise caution and revisit their growth strategies, such as enhancing client coverage across emerging economies. Economic growth will be asymmetric, posing risks and presenting pockets of opportunity. Even businesses operating in economies experiencing slowdown may be partially immune if most of their corporate family tree (subsidiaries, joint ventures, affiliates) is operating in economies experiencing expansion and vice versa. The impact of the economic cycle will be amplified by the depth of corporate linkages, including suppliers, vendors, and customers, spread across other regions.
- Businesses need to consider supply chain linkages to have a comprehensive view of their upstream and downstream risks. Given the economic uncertainty and regulations, it is advisable to review supply chain resilience and look for opportunities presented by reshoring, nearshoring, and friendshoring trends.
- Strengthening of climate and emission regulations have enhanced the need for supplier evaluation and benchmarking of sustainability practices against industry and country practices. ESG practices vary across the operational value chain, so businesses must trace sustainability practices at all stages to ensure compliance.
- Getting back to the basics with the 5Cs of credit management - Capacity, Capital, Character, Collateral, and Conditions - is vital during these volatile times. Businesses must recognize that the current economic landscape necessitates a more proactive approach to credit risk mitigation. Having visibility into the credit risk across the entire global portfolio can help inform treatment strategies and prioritize collections.
- By working with trusted analytics experts, businesses have access to dynamic data that can be used to answer questions such as financial capacity to pay vendors and track record, present capital structure and changes over time, and available collateral for liquidation in case of bankruptcy.



Dun & Bradstreet Global Business Optimism Insights : Appendix

METHODOLOGY

Dun & Bradstreet conducted a survey of business leaders in their operating markets. The survey was conducted on a stratified random sample of around 10,000 respondents, from varying sector and size segments. Responses pertain to respondents' own operating markets. A diffusion index is calculated for each parameter. The indices range from 0 to 100, with a reading above 50 indicating an improvement and below 50 a deterioration (both compared with the same period in the previous year). The composite index at size and sector level is calculated using factor-weighted averages of the parameter-level indices. Economy-level indices are weighted averages of sector-level indices by their contribution to GDP. Global indices are weighted averages of economy-level indices with their GDP weights.

Markets covered in the graphs	Other markets covered in the survey		
Brazil (BR)	Argentina	Nigeria	Turkey
Canada (CA)	Australia	Norway	United Arab Emirates
France (FR)	Czech Republic	Poland	
Germany (DE)	Egypt	South Korea	
India (IN)	Hungary	Saudi Arabia	
Italy (IT)	Indonesia	South Africa	
Japan (JP)	Israel	Spain	
Russia (RU)	Kenya	Sweden	
United Kingdom (UK)	Mexico	Switzerland	
United States of America (US)	Netherlands	Taiwan Region	

INDICES EXPLAINED

- **Dun & Bradstreet Global Business Optimism Index** provides valuable insights on the global growth cycle. It serves as a tool to identify turning points in the global economy.
- **Dun & Bradstreet Global Business Supply Chain Continuity Index** monitors the efficiency of suppliers' deliveries in terms of both time and cost. The index enables businesses to optimize their supply chain management by identifying potential bottlenecks, streamlining operations, and mitigating risks.
- **Dun & Bradstreet Global Business Financial Confidence Index** serves as an early warning signal for bankruptcies, enabling stakeholders to anticipate financial distress in various sectors of the economy.
- **Dun & Bradstreet Global Business Investment Confidence Index** provides vital cues about investment rates across different industries and regions. By tracking this index, stakeholders can gain insights on the sentiments and willingness of businesses to invest in new projects, expand operations, and drive growth.
- **Dun & Bradstreet Global Business ESG Index** provides a comprehensive assessment of companies' performance in implementing ESG initiatives. By tracking the ESG index, investors, regulators, and the public can evaluate the sustainability efforts of organizations, encourage responsible business practices, and promote transparency and accountability.

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Our experienced country-intelligence specialists use Dun & Bradstreet's proprietary data, supplemented by secondary data from the International Monetary Fund, World Bank and other multilateral organizations, to provide unique analysis to drive sound business decisions.

Updated frequently - and monthly for our most requested countries - our data and analysis are presented in a format that facilitates the comparison of economic, political and commercial conditions on a country, regional and global level.

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