dun & bradstreet

Global Business Optimism Insights

Q2 2024

Dun & Bradstreet® Global Business Optimism Insights

Introduction

Dun & Bradstreet's Global Business Optimism Insights (GBOI) is a quarterly report that aims to gauge the optimism levels of businesses globally and provides a unique and comprehensive view into the thinking behind the growth, operational, investment, and risk expectations of business leaders.

The GBOI is an amalgamation of five 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. The first four indices capture business expectations for the coming quarter, while the ESG index captures the sentiments on key ESG attributes in the current quarter.

All five indices are constructed for 32 economies (accounting for approximately 70% of global GDP) across 17 commercial sectors and 3 business sizes, synthesized from a survey of approximately 10,000 businesses. The findings from the survey are supplemented with insights from Dun & Bradstreet's proprietary data and economic expertise. All index values range from 0 to 100, with a reading above 50 indicating an improvement and below 50 a deterioration in optimism.

Key Findings

The Q2 2024 survey results suggest that manufacturing businesses around the world are expecting to turn the corner. Since the GBOI reports began tracking business expectations in 2023, developed markets' central banks have ended monetary policy tightening. Concurrently, the report indicates a gradual rise in optimism as the dire economic consequences predicted by some have not come to fruition. In the current survey, for the first time since the reports began, businesses have shared a favorable view on input cost pressures; moreover, confidence in financial conditions has remained unchanged from Q1 2024, implying that businesses are coping well with relatively tight financial conditions. The survey has again indicated that confidence in supply chain continues to remain shaky, mainly due to forced rerouting of shipments on the back of geopolitical events. In fact, most companies said they felt the biggest impact of recent geopolitical events through delays or cancellations of their investment plans, closely followed by higher operational costs. Most have adapted to these events by establishing contingency plans and diversifying their supplier base across regions.

The **Global Business Optimism Index** has increased 5.4% from 57.1 in Q1 2024 to 60.2 in Q2 2024, with businesses now feeling more confident about the global macroeconomic environment, particularly regarding inflation. For the first time since the launch of the report in 2023, businesses are optimistic about input costs, aiding a recovery in optimism for manufacturers globally.

The **Global Supply Chain Continuity Index** continues its fall, declining 8% from 47.9 in Q1 2024 to 44.1 in Q2 2024. Geopolitical tensions are causing supply chain disruptions across major trade routes, compelling businesses to adopt lengthier alternative routes. One in seven businesses indicate that recent geopolitical events impacted their operations due to supply chain disruption.

The **Global Business Financial Confidence Index** was essentially unchanged for Q2 2024, falling 0.4% from 59.9 in Q1 2024 to 59.7. Firms remain optimistic about operating conditions supporting balance sheets. Among advanced economies, the index fell 2.3% but improved 5.5% for emerging economies.

The **Global Business Investment Confidence Index** fell 5.4% from 58.7 in Q1 2024 to 55.6 for Q2 2024. The reading signals a realigned consensus that major central banks in advanced economies will begin to start a period of looser monetary policy around mid-year – later than earlier anticipated – delaying investment decisions.

The **Global Business ESG Index** dipped 3% from 61.9 in Q4 2023 to 60.0 in Q1 2024, though firms maintain a favorable view toward adopting sustainability. ESG sentiment in both emerging and advanced economies declined 3%, although the former (61.0) maintains a higher optimism level than the latter (59.6).

Index	Q4 2023	Q1 2024	Q2 2024
(A) Global Business Optimism Index	53.5	57.1	60.2
(B) Global Business Supply Chain Continuity Index	51.1	47.9	44.1
(C) Global Business Financial Confidence Index	54.4	59.9	59.7
(D) Global Business Investment Confidence Index	53.1	58.7	55.6
(E) Global Business ESG Index	61.9	60.0	-

By Sector

Sector	(A)	(B)	(C)	(D)	(E)
Accommodation and food service activities	60.9	39.4	61.5	57.4	60.6
Construction	59.3	47.0	57.1	53.0	56.9
Financial and insurance activities	58.6	38.3	59.2	55.3	59.3
Information and communication	56.9	37.8	57.5	53.9	59.0
Mfg.: automotive	64.4	50.3	62.4	58.0	63.5
Mfg.: capital goods	64.0	49.8	62.7	58.6	62.0
Mfg.: chemicals, rubber, plastic and pharma	64.5	49.5	61.7	59.0	63.6
Mfg.: electricals, electronics, and hardware	63.2	48.5	61.3	56.4	61.2
Mfg.: food, beverages, and tobacco	61.7	48.7	60.0	57.8	61.1
Mfg.: metals	63.9	49.6	61.8	59.7	61.9
Mfg.: textiles, wood, paper, and leather	60.9	48.4	59.5	55.5	60.3
Mining	61.1	47.6	59.7	54.9	60.6
Other services – professional and administrative	58.8	38.4	60.0	55.7	60.7
Real estate activities	58.1	39.0	58.7	55.6	59.5
Transportation and storage	58.2	38.2	60.4	53.7	58.7
Utilities	59.9	47.0	57.2	53.1	59.3
Wholesale and retail trade	58.4	46.8	58.6	53.2	57.1

Note: (A) Global Business Optimism Index; (B) Global Business Supply Chain Continuity Index; (C) Global Business Financial Confidence Index; (D) Global Business Investment Confidence Index; (E) Global Business ESG Index

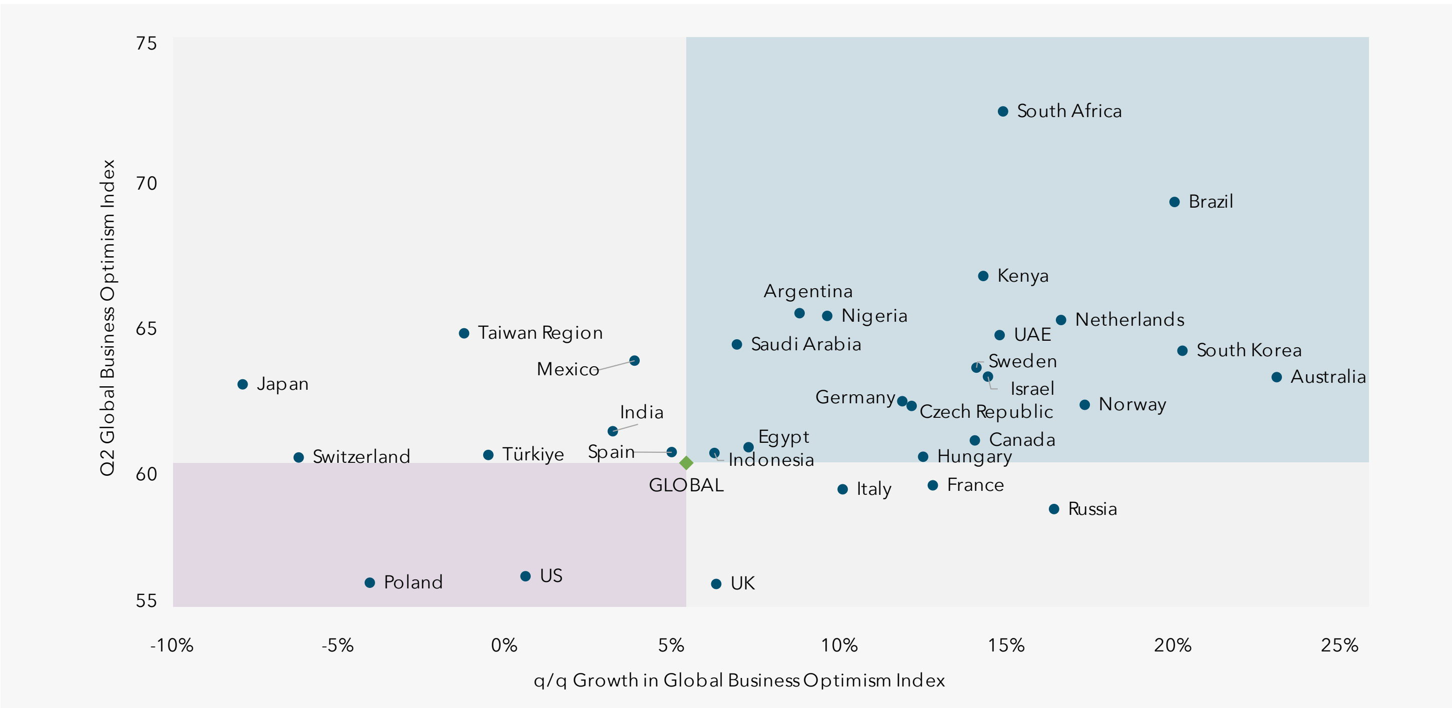
D&B Global Business Optimism Index

D&B Global Business Optimism Index

Key Findings

- The Global Business Optimism Index has increased 5.4% from 57.1 in Q1 2024 to 60.2 in Q2 2024, with businesses now feeling more confident about the global macroeconomic environment, particularly regarding inflation. For the first time since the launch of the survey in 2023, businesses are optimistic about input costs, aiding a recovery in optimism for manufacturers globally.
- Businesses in Poland (56.5) have the least optimistic view of Q2 2024, with optimism declining notably, by 4%, over the previous quarter, whereas those in Brazil (69.6, up 20% q/q) and the Netherlands (65.5, up 17% q/q) are among the most optimistic. Optimism levels in emerging economies (63.2) continue to be higher than in advanced economies (59.2).
- Globally, manufacturing has registered a significant boost, with optimism levels jumping by about 17% q/q on average for Q2 2024. Automotive and chemical manufacturers, which had the lowest optimism levels in Q1 2024, are among the most optimistic sectors for Q2.
- On the other hand, businesses in the real estate sector, and wholesale and retail trade saw declines (-4% and -3%, respectively) in optimism levels for Q2 2024. However, these small declines follow a sharp jump – among the highest across sectors – in Q1 2024, suggesting a degree of normalization rather than a change in sentiment.
- Growth in existing economies and expansion into new markets are among the top priorities for the coming quarters; businesses have earmarked 'regulatory changes' and 'industrial policy nationalism' as the biggest risks for the next 12 months.

Quadrant of Optimism – Global Business Optimism Index

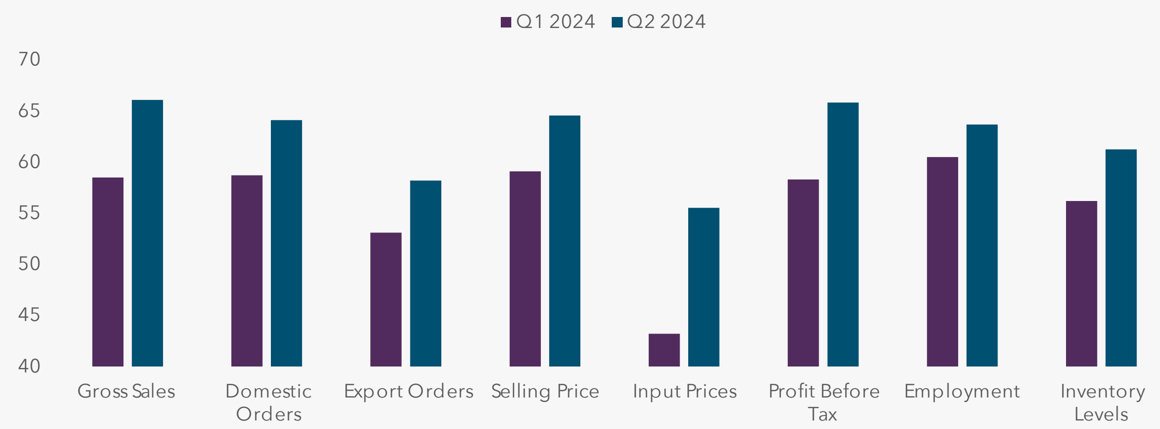


Firm Size – Global Business Optimism Index

PERIOD	SMALL	MEDIUM	LARGE
Q2 2024	56.0	61.6	63.0
Q1 2024	55.4	54.8	58.8
Q4 2023	53.8	54.1	52.7

Businesses across emerging and advanced economies are consolidating on the optimism of Q1 2024, with Q2 also suggesting an upbeat outlook. Since Dun & Bradstreet began tracking expectations about business optimism in Q3 2023, this is the first instance where businesses have expressed a favorable view on input costs, with the corresponding sub-index moving into optimistic territory. The successive improvements in business optimism, captured in expectations since Q3 2023, suggest that businesses (a) have learned to adapt to global shocks, including geopolitical events and supply disruptions, and (b) find central banks' messaging on a 'soft landing' increasingly more plausible. The improvement in optimism for Q2 2024 is visible across firms of all sizes, but almost the entire increase is driven by medium-sized and large firms, with optimism for small firms remaining almost flat, suggesting a degree of caution.

Sub-indices – Global Business Optimism Index



Some of the biggest improvements in optimism for Q2 2024 are seen across manufacturing firms. Globally, manufacturers of automotives, chemicals, electricals and electronics, capital goods, and metals have catapulted from near the bottom of the optimism table in Q1 2024 to the top five spots for Q2 2024. Manufacturers of electricals, electronics, and hardware from Australia, Israel, and the UAE have seen a big positive shift in sentiment for Q2. Conversely, food and beverage manufacturers from India and key service providers in sectors such as information and communication, finance, logistics, and hospitality from Switzerland, though still optimistic, have pared back their optimism for Q2.

Of the countries covered in our survey, Australia recorded the biggest jump in optimism for Q2 2024, with an improvement in optimism across all sectors and firm sizes. Interestingly, the biggest improvement in optimism for Australia was reported by food and beverage manufacturers, which coincides with the recently announced review of tariffs (for removal) on Australian wine imports by the Chinese Mainland and comes on the heels of a series of other trade-related relaxations for Australian exporters to economically important destinations.

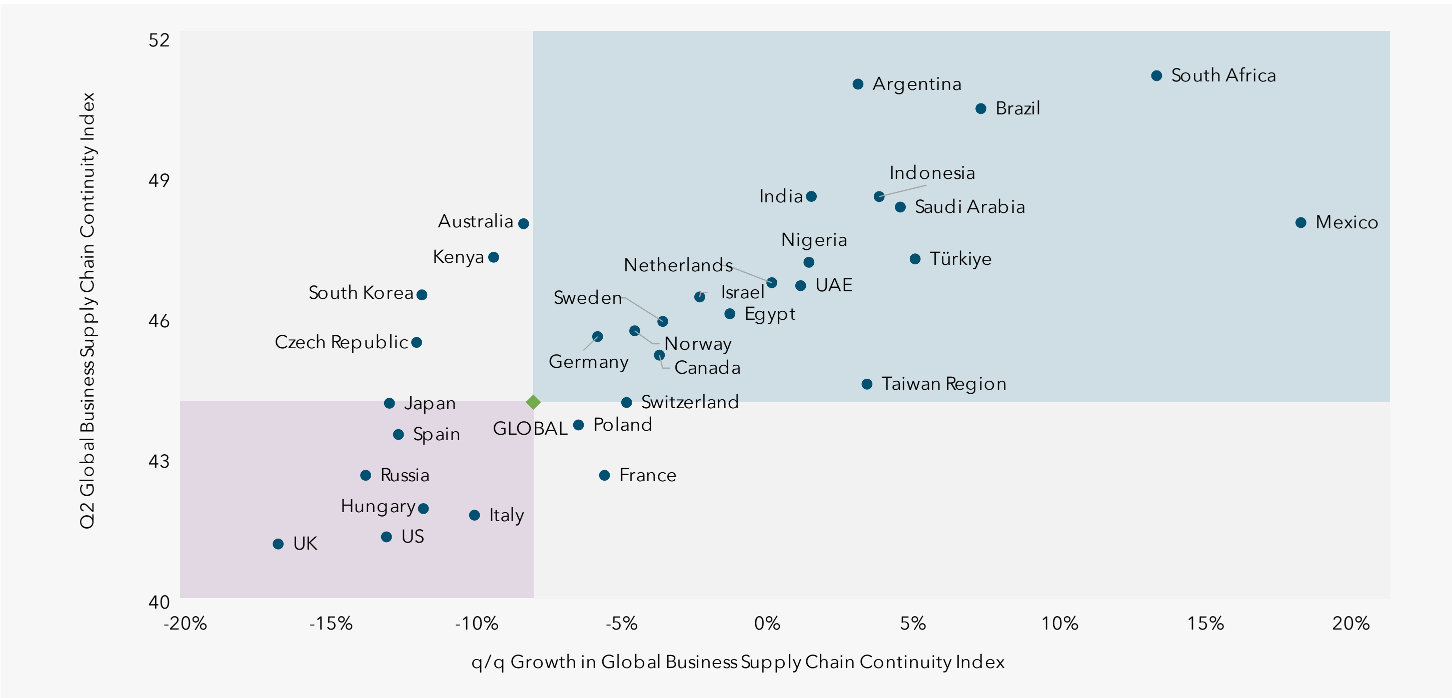
D&B Global Business Supply Chain Continuity Index

D&B Global Business Supply Chain Continuity Index

Key Findings

- The Global Business Supply Chain Continuity Index continues its fall, declining 8% from 47.9 in Q1 2024 to 44.1 in Q2 2024. Geopolitical tensions are causing supply chain disruptions across major trade routes, compelling businesses to adopt lengthier alternative routes. Moreover, it is becoming difficult to find alternative suppliers. Trade disputes among major economies are still affecting supply chain continuity.
- Emerging economies' optimism rose 1.5% to 47.5 compared with Q1 2024, offsetting some of the deterioration in Q1. Advanced economies saw the sharpest deterioration in the Global Business Supply Chain Continuity Index, with a decline of 11% to 43.0.
- Medium-sized firms saw the sharpest deterioration in sentiment, dropping 13% q/q in Q2 2024, while it declined 6% among small firms. Large firms appear to be relatively well placed to manage supply chain challenges by diversifying their suppliers and minimizing delivery time delays; nonetheless, their optimism score declined 1% compared with the previous quarter.
- One in seven firms globally believe that recent geopolitical events have impacted business operations and performance via supply chain disruption. Similarly, one in six firms are considering diversifying their supplier base across regions. One in seven firms are focusing on local suppliers to manage risk, and one in three firms consider cybersecurity threats and digital warfare, political instability, and regional conflicts to be the biggest risks in the next 12 months.

Quadrant of Optimism – Global Business Supply Chain Continuity Index

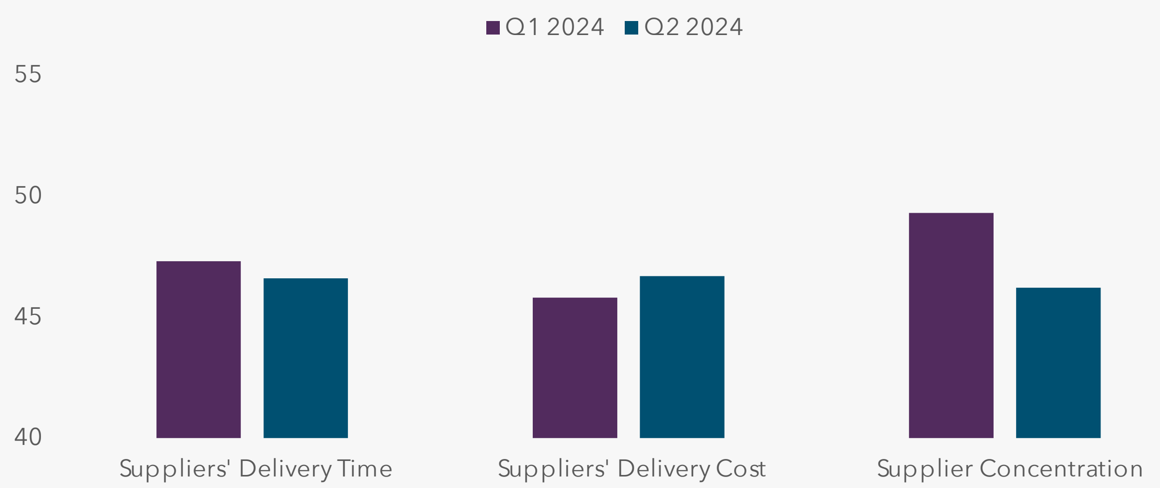


Firm Size – Global Business Supply Chain Continuity Index

PERIOD	SMALL	MEDIUM	LARGE
Q2 2024	41.1	44.8	46.3
Q1 2024	43.9	51.7	46.8
Q4 2023	50.2	51.6	51.5

The sub-indices of the Global Business Supply Chain Continuity Index show mixed results. The suppliers' delivery time index has deteriorated 1.5% q/q to 46.6 in Q2 2024, as firms have been turning to alternative longer routes to avoid the riskier ones. However, their delivery cost index has improved 1.9%, as firms anticipate further drops in freight and insurance costs as compared with Q1 2024, following a surge at the beginning of the year. Conversely, the supplier concentration index has dipped 6.3% q/q to 46.2, as firms are left with fewer reliable partners.

Sub-Indices – Global Business Supply Chain Continuity Index



The global supply chain disruptions seen in Q1 2024 persist; in fact, supply chain challenges have only risen further with longer delivery times and difficulties in diversifying suppliers in Q2 2024.

At a regional level, Europe continues to reel under supply chain stress. The continent is experiencing farmer and industrial worker strikes for higher wages, as well as against the EU's farm policies, climate regulations, and industrial policies. The Russia-Ukraine conflict continues to negatively impact the region, and simmering tensions across the Baltics, the Black Sea, and the Red Sea have also had a significant impact on the region's Business Supply Chain Continuity Index. Compared with Q4 2023, the index value for most of the economies in the region that are tracked by this survey has fallen 5-18%. The sharp decline witnessed in Q1 2024 is repeated in Q2, with index values dropping between 4% and 13% across economies in the region.

Globally, the transportation and storage sector (down 29% q/q) saw the biggest drop in Q2 2024. It was followed by information and communications, financial services, food and accommodation services, and real estate activities, each declining between 24% and 29%.

Manufacturing improved 8-15% across the different sectors (capital goods; metals and mining; chemicals and pharmaceuticals; food and beverages; electricals and electronics; and textiles, leather, and paper).

Advanced economies such as the U.S. and Japan (down 13% each), the U.K. (down 17%), and South Korea (down 12%) saw the largest deteriorations for Q2 2024, reflecting significant disruptions to cargo and container movements as ships started to take longer, costlier routes. The U.K. is yet to recover from Brexit-related supply shocks, resulting in it having the lowest index value among all 32 economies tracked by this survey.

Latin American economies such as Mexico, Brazil, and Argentina were the major beneficiaries of U.S.'s nearshoring strategy (demonstrating improvements of 18%, 7%, and 3%, respectively). In 2023, US-Mexico trade crossed USD798bn, making Mexico the largest trading partner of the U.S., surpassing the Chinese Mainland and Canada.

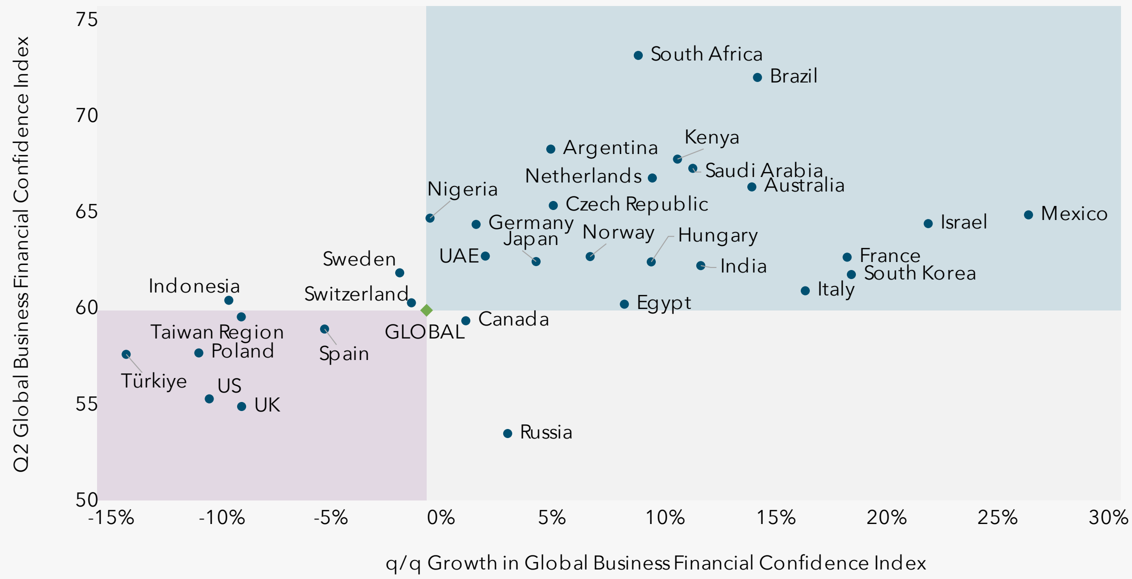
D&B Global Business Financial Confidence Index

D&B Global Business Financial Confidence Index

Key Findings

- The Global Business Financial Confidence Index was essentially unchanged for Q2 2024, falling 0.4% from 59.9 in Q1 2024 to 59.7. Firms remain optimistic about operating conditions supporting balance sheets. Among advanced economies, the index fell 2.3% but improved 5.5% for emerging economies.
- Brazil (72.1) has scored highly in Q2 2024, following slowing inflation and a series of interest rate cuts since August 2023. A cluster of firms operating in European countries such as Italy (61.0), France (62.8), and the Netherlands (66.9) have also scored high this quarter amid growing expectations that the European Central Bank (ECB) may soon lower its main policy rate.
- At the global level, manufacturers have recorded the highest index scores. Producers of capital goods scored the highest, at 62.7, reflecting expectations that global interest rates are set to fall. Automotive manufacturers followed closely, at 62.4, and manufacturers of metals came in at 61.8. Utilities (57.2) and construction (57.1) ranked the lowest.
- Globally, large (64.3) and medium-sized (59.8) firms recorded better financial confidence than in Q1 2024, while small firms reported lower financial confidence at 54.9. The fall in score this quarter for small firms was much bigger among advanced economies than their emerging counterparts. The index scores of large and medium-sized firms in emerging economies rose to 62.2 and 65.8, respectively (+8.1% and +10.6%).

Quadrant of Optimism – Global Business Financial Confidence Index



Firm Size – Global Business Financial Confidence Index

PERIOD	SMALL	MEDIUM	LARGE
Q2 2024	54.9	59.8	64.3
Q1 2024	61.0	55.3	62.5
Q4 2023	54.3	55.3	53.7

Of advanced economies, only Australia (66.4) and the Netherlands (66.9) have broken into the top ten countries that are most confident about financial conditions. Advanced economies account for four of the top five improvements for Q2, with index scores growing 19% on average, including strong growth in South Korea (18.7%).

Across economies, expectations of the change in borrowing costs are highly favorable. The scores are high for advanced economies such as the U.S. (57.6), the U.K. (62.6), and Germany (70.1), likely reflecting growing expectations of interest rate cuts by the U.S. Federal Reserve (Fed), the Bank of England, and the the European Central Bank (ECB). The U.S. Fed Chairman expects the bank will start cutting rates this year, and various members of the ECB have shared similar sentiments. Across industries, accommodation and food services (61.5) and manufacturers of capital goods (62.7) and automotives (62.4) tend to be more confident about financial conditions. In advanced economies, large firms have a more favorable view of borrowing costs.

The level of financial risk on companies' balance sheets (including credit, market, and liquidity risks) varies across economies. Globally, the larger the firm, the lower the financial risk tends to be. Access to finance continues to be a significant challenge for SME growth. However, optimism for borrowing costs has improved by almost 3% q/q, implying that borrowing costs are likely to come down.

The average time it takes for a firm to receive payment for sales is a critical indicator of business survival. The longer the delay, the more likely a firm will experience cash flow problems. Globally, firms' optimism towards sales outstanding has improved by more than 11% compared with Q1 2024, suggesting timely receipt of dues. However, there is huge variation across economies. In advanced economies, the Netherlands and Japan have scored especially highly, at 69.1, while Spain registered a relatively low score of 58.8, implying that businesses in Spain are at greater risk of delays in receivables. Similarly, across major emerging economies, there is wide variation: firms in South Africa (73.2) and Brazil (72.5) have high expectations that bills and obligations will be paid on time, whereas businesses in Russia (48.5) expect it to take longer. At a sector level, manufacturers of capital goods are most optimistic about receiving their dues on time, whereas construction, information and communication, and BFSI are the least optimistic.

Liquidity risk – the extent to which firms can meet short-term financial obligations as they become due – is linked to payables. Globally, liquidity is expected to increase across firms of all sizes, and businesses are nearly as optimistic as they were in Q1. Manufacturers tend to be more optimistic about liquidity than services firms. Larger firms in advanced economies and medium-sized firms in emerging economies have registered higher scores, suggesting that bigger firms have greater resources dedicated to liquidity management practices, such as ensuring there is sufficient cash to meet financial demands, including payroll and order fulfilment. Smaller companies, which have scored less favorably than larger firms, are relatively constrained in their approach to liquidity risk management, including a lower capacity to bridge unexpected shortfalls.

Sub-indices – Global Business Financial Confidence Index

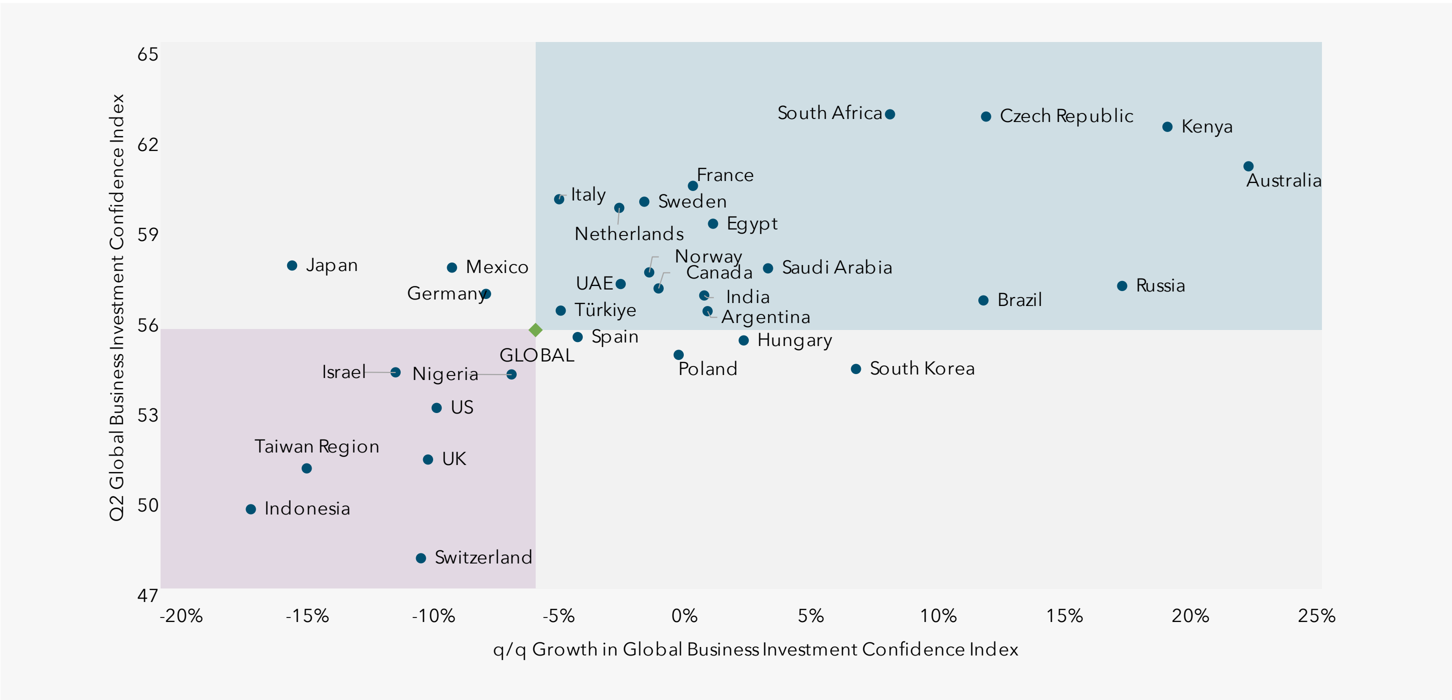
D&B Global Business Investment Confidence Index

D&B Global Business Investment Confidence Index

Key Findings

- The Global Business Investment Confidence Index fell 5.4% from 58.7 in Q1 2024 to 55.6 for Q2 2024. The reading signals a realigned consensus that major central banks in advanced economies will begin to start a period of looser monetary policy around mid-year – later than earlier anticipated – delaying investment decisions. Inflation has fallen in a less linear fashion of late and is generally being more stubborn than previously expected, which has caused markets to price a more conservative downward path for interest rates.
- Most emerging economies recorded an improvement in investment confidence for Q2 2024; however, on average, the size of gain was much smaller than the average fall in advanced economies. The economies most confident about business investment in our index are fairly evenly split between advanced and emerging economies. Among advanced economies, France and Italy scored highly at 60.7 and 60.2, respectively, buoyed by preparatory discussions at the ECB about when to begin reducing interest rates, which may potentially be as early as Q2.
- In terms of firm size, the largest drop in confidence at the global level was among small firms, which fell 12.5% compared with the previous quarter, with a smaller 4.3% drop for large firms and medium-sized firms showing no change. However, investment confidence among small businesses in emerging economies improved 3.9% q/q, whereas investment confidence in small companies in advanced economies fell 17.2%.

Quadrant of Optimism – Global Business Investment Confidence Index



Firm Size – Global Business Investment Confidence Index

PERIOD	SMALL	MEDIUM	LARGE
Q2 2024	51.8	55.7	59.3
Q1 2024	59.1	55.6	61.9
Q4 2023	57.3	49.6	52.2

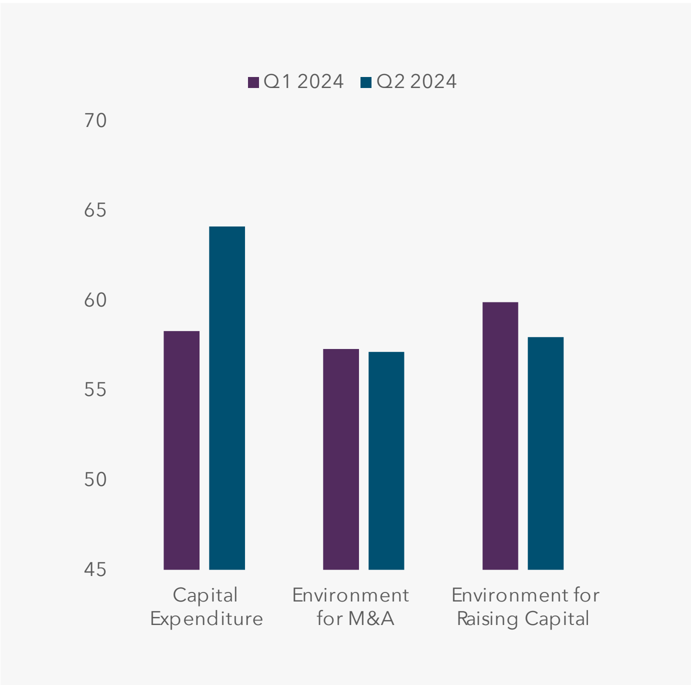
Raising capital is partially dependent on prevailing interest rates, and though global rates remain high, central banks continue to communicate a data-dependent approach and are mindful of appearing too optimistic about falling inflation and inadvertently acting prematurely. Across economies, firms' expectations of the environment for raising capital remain generally low, though higher for advanced economies and particularly strong in France (64.3), Italy (63.9), and Sweden (63.8). The environment for raising capital is expected to be tougher in emerging economies in parts of Asia such as Taiwan Region, which scored 51.6, and Indonesia at 50.8. Across sectors, manufacturers of metals (62.1) and capital goods (60.7), which typically make large capital investments in plant and machinery, have the most optimistic views of the environment for raising capital.

Among advanced economies, Australia's high investment confidence score of 61.3 is reflected in the latest Australia Dun & Bradstreet Country Insight Report. The country is assigned a minimal political risk rating and assessed at having a well-regulated business environment – indicative of high institutional quality supporting confident investment decisions. Emerging economies that improved the most the most this quarter include Brazil (+11.9% to 56.9), South Africa (+8.2% to 63.1), and the Czech Republic (+12.0% to 63.0). The improvement in Brazil is echoed in several recent upgrades in Dun & Bradstreet's Country Insight Report, including to the business regulatory and market environments.

The U.K.'s score fell 10.1% q/q, one of the steepest falls across advanced economies. The decline in optimism comes alongside recent downgrade to the short-term economic outlook risk rating for the U.K. in the wake of the economy entering recession. However, the base case is that the recession will be mild and short-lived, and although the growth backdrop remains uncertain and challenging, there may be tentative signs that the U.K. is turning the corner. This, in turn, should help improve investment decision-making.

Globally, M&A activity should accelerate as the cost of debt falls alongside easing policy rates and diminishing fears of a global recession. The survey suggests that the environment for M&A activity is stronger in advanced economies and the strongest in large European economies, including the Netherlands (62.8), France (64.2), and Germany (59.1). Large firms in advanced economies are more confident about the environment for M&A than smaller firms – with continued innovation and the emergence of new industries likely to drive dealmaking in the digital, fintech, and AI spaces, with SMEs and promising startups likely targets of larger firms.

Sub-indices – Global Business Investment Confidence Index



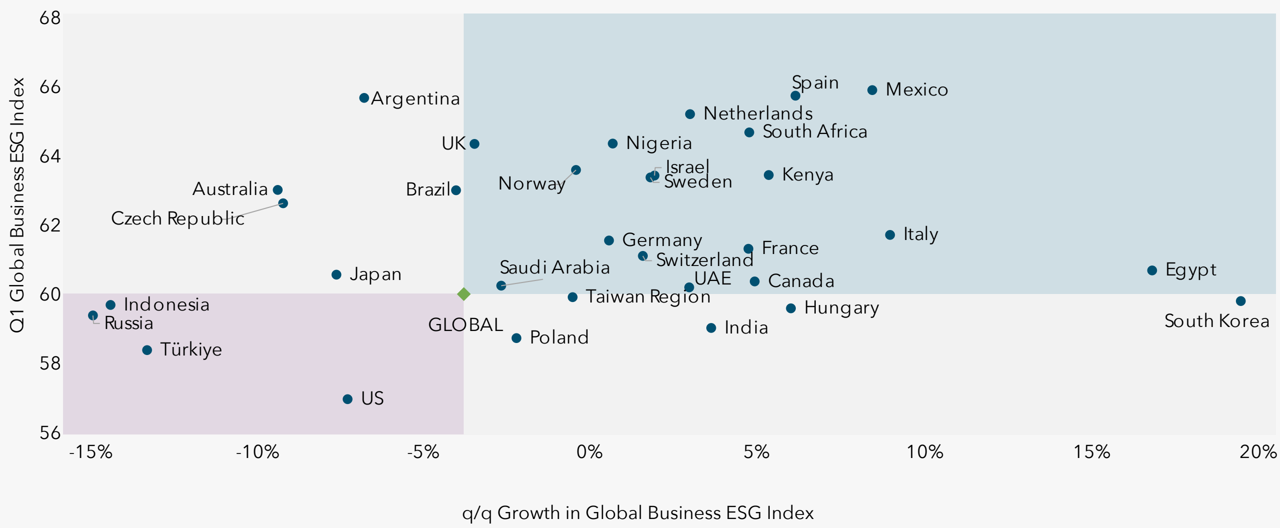
D&B Global Business ESG Index

D&B Global Business ESG Index

Key Findings

- The Global Business ESG Index dipped 3% from 61.9 in Q4 2023 to 60.0 in Q1 2024, though firms maintain a favorable view toward adopting sustainability. ESG sentiment in both emerging and advanced economies declined 3%, although the former (61.0) maintains a higher optimism level than the latter (59.6).
- However, advanced and emerging economies have been on divergent paths since the inception of this survey. ESG optimism in advanced economies has declined from 61.5 in Q2 2023 to 59.6 in Q1 2024, whereas it has risen in emerging economies from 59.2 to 61.0.
- The U.S. has been among the primary detractors, with ESG sentiment experiencing a third consecutive quarterly decline in Q1 2024, reaching 57.0, albeit remaining within optimistic territory. Conversely, emerging economies such as Mexico and Hungary have demonstrated considerable improvements.
- Small firms saw a considerable decline in ESG sentiment in Q1 2024 to 54.9, compared with Q4 2023, which was most prominent in advanced economies. For large and medium-sized firms, sentiment improved by 2%.
- Automotive manufacturing demonstrated a noteworthy increase to 63.5, signifying heightened efforts toward sustainability driven by consumer demand for electric vehicles (EVs) and regulatory pressures in Europe.

Quadrant of Optimism – Global Business ESG Index

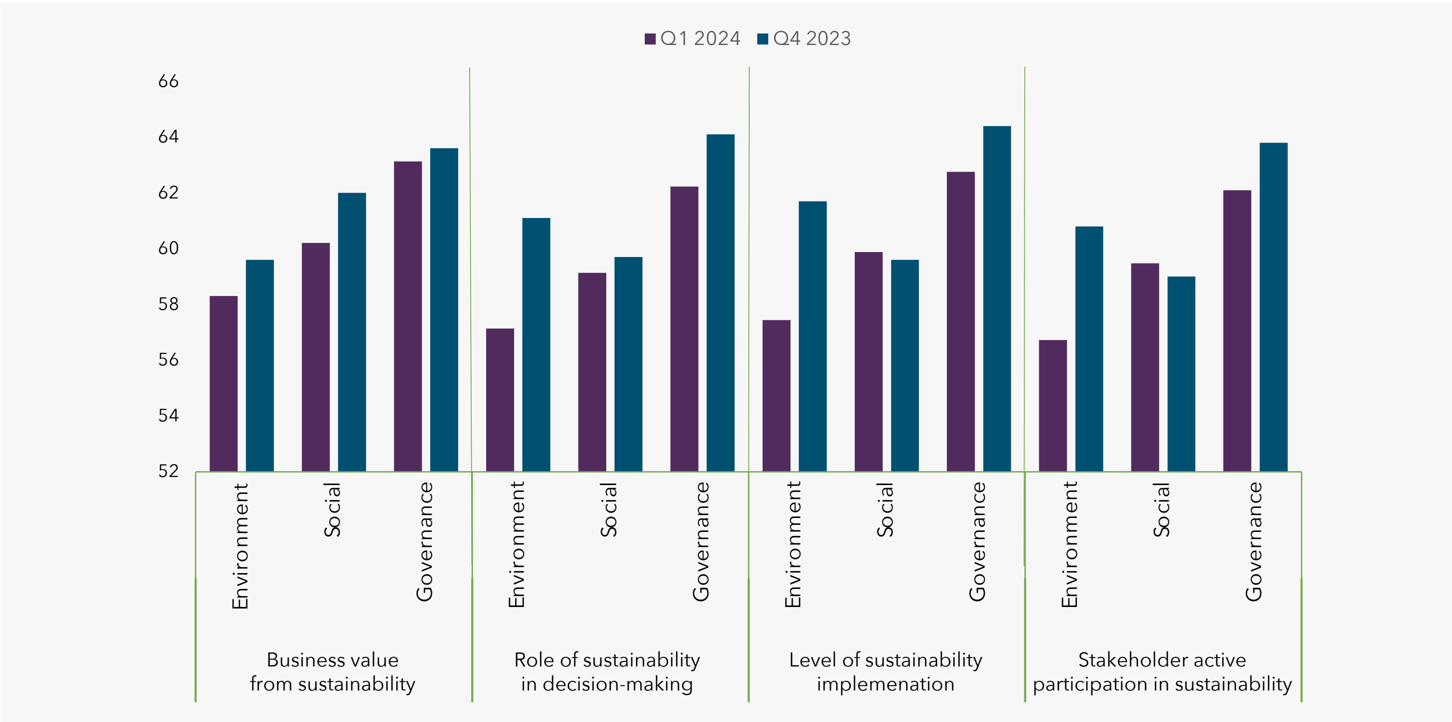


Firm Size – Global Business ESG Index

PERIOD	SMALL	MEDIUM	LARGE
Q1 2024	54.9	59.8	64.3
Q4 2023	64.2	57.4	64.4
Q3 2023	61.9	54.8	57.6

In the U.S., companies' enthusiasm for ESG initiatives faced obstacles in 2023 due to investors reallocating funds to pursue higher returns, leading to significant withdrawals from sustainable funds. Data indicates that 2023 was the first calendar year in a decade wherein outflows were reported, with the majority withdrawn in Q4 alone. This shift in investment behavior has impacted sectors such as financial and insurance activities, shown by a 7.1% decline in the U.S. Business ESG Index in Q1 2024. Furthermore, the prioritization of managing risks in areas such as geopolitical uncertainty, supply chain, and cybersecurity has overshadowed the focus on sustainability. This trend is reflected in the survey by a significant decline in the 'participation of stakeholders in the organization's sustainability efforts' in most sectors. Uncertainty also persists regarding sustainability disclosures and regulations, with companies awaiting the implementation of new rules, including a climate disclosure regulation from the Securities and Exchange Commission (SEC) and state-specific climate-related reporting requirements. Although it may be (comparatively) easier for larger companies to navigate the legal complexities and costs associated with the required emissions disclosures, smaller businesses will struggle to comply.

Sub-indices – Global Business ESG Index



In contrast to the U.S., most European economies continued their improving trend and registered a healthy increase in the Business ESG Index in Q1 2024. This is a result of continued progress on the ESG front made by the EU in 2023, with a focus on transparency and sustainability. The EU has set ambitious CO2 reduction targets for new cars and vans by 2030 (55% for cars and 50% for vans), along with a complete ban on the sale of new petrol and diesel cars by 2035, emphasizing the shift toward Electric Vehicles (EVs). This has negatively impacted sentiment among German automotive manufacturers – traditionally a powerhouse of petrol and diesel vehicles – but has created opportunities for countries such as the Netherlands, Italy, and Spain, which have seen growth in EV and parts manufacturing. The ESG indices for automotive manufacturers for these countries reflect these dynamics.

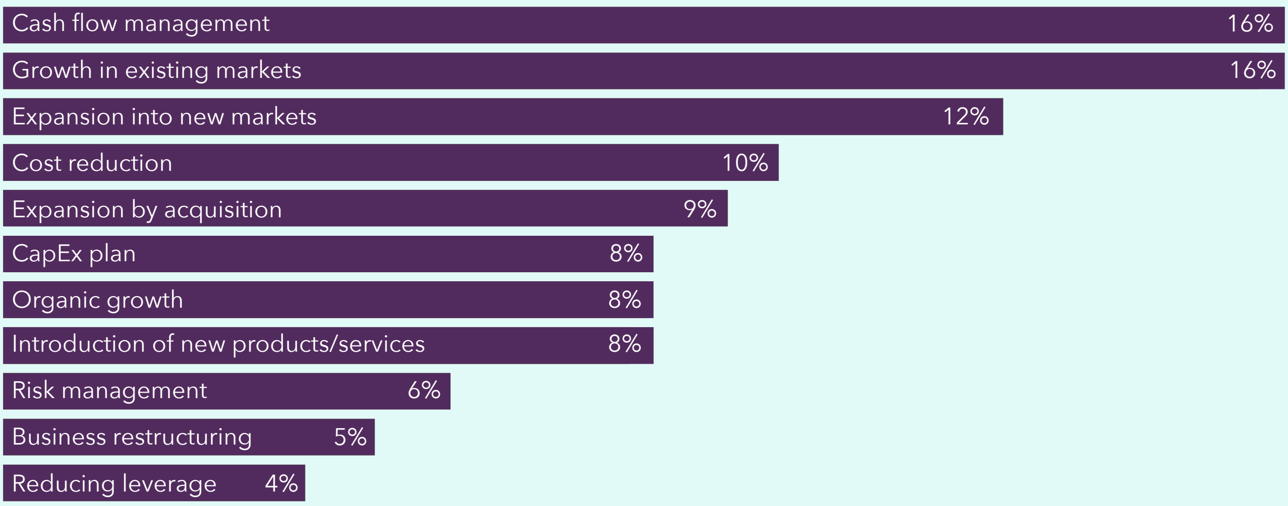
In Q2 2024, we anticipate heightened regulatory scrutiny, particularly regarding ESG disclosures, with regulators focusing on regions, such as the EU, which have recently enhanced regulations. Events in Q2 may lay the groundwork for broader ESG developments later in 2024, including the potential implementation of the SEC's climate disclosure rule in the U.S. and outcomes from international climate conferences, which are likely to have a bearing on ESG-related sentiments.

Top Priorities, Risks, & Impact of Recent Geopolitical Events

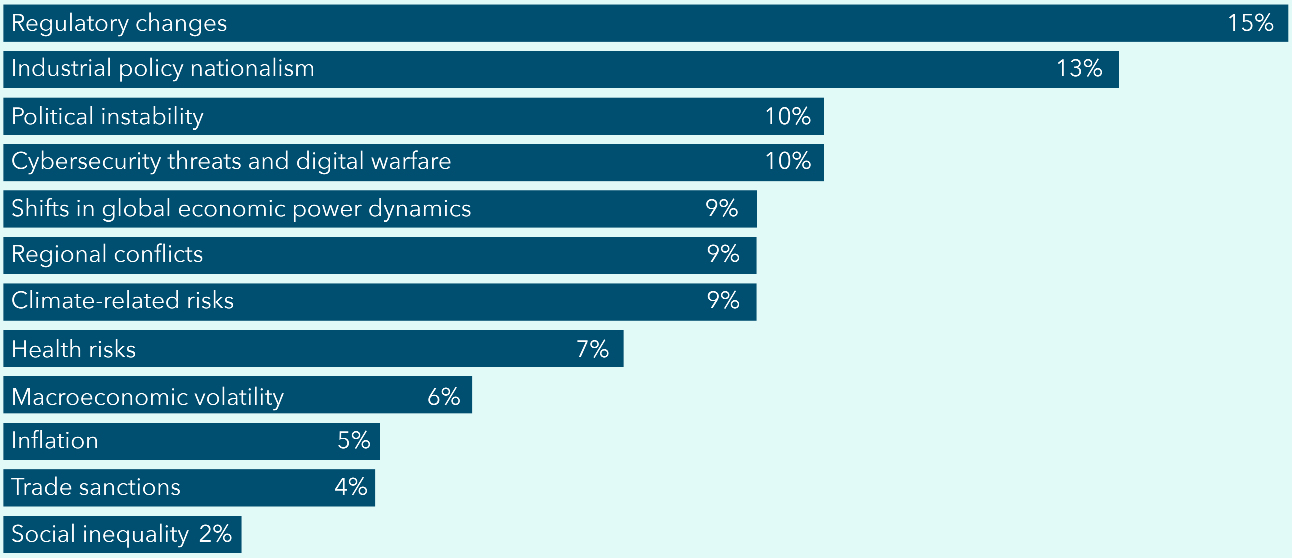
Globally, cash flow management, growth in existing markets, and expansion into new markets have been identified as the top near-term priorities of firms. However, a closer look reveals interesting contrasts. For instance, nearly one in three small and medium-sized firms in the U.S. (nearly twice as many as the global average) are focused on cash flow management for the next six months, whereas just 5% of large firms in the country have identified this as their top priority. Instead, these large firms are overwhelmingly focused on expansion, with one in four large firms identifying growth in existing markets – followed by expansion through acquisition – as their top priorities for the next six months. In another sign of contrasting priorities, German firms have identified 'cost reduction' as their topmost priority for the next six months.

Notably, the contrast among economies is also stark in the identification of risks and their responses. Apart from regulatory changes, which has been globally identified as the top risk over the next 12 months, firms in Germany are most worried about climate risks, whereas those in the U.K. are most worried about regional conflict; firms in France and Israel are most worried about cybersecurity threats and digital warfare; and those in Japan and Taiwan Region have pointed to shifts in global economic power dynamics as the biggest risk for the next 12 months. Although all firms reported establishing contingency plans considering recent geopolitical events, small firms said they relied on additional risk insurance coverage ahead of supplier diversification. Small firms in Russia have indicated increased reliance on local suppliers to hedge their risks.

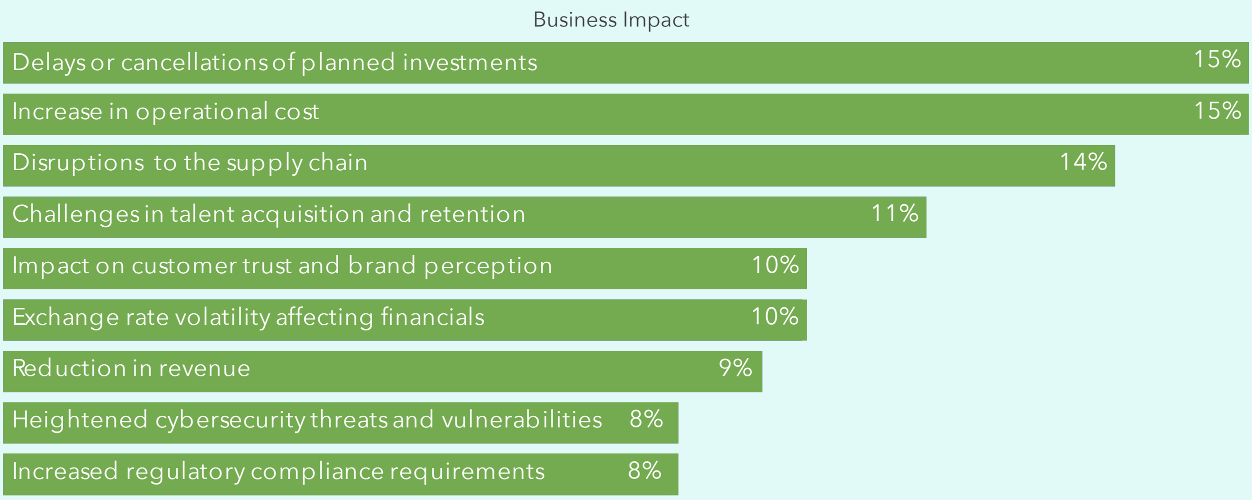
Top priority for the next six months

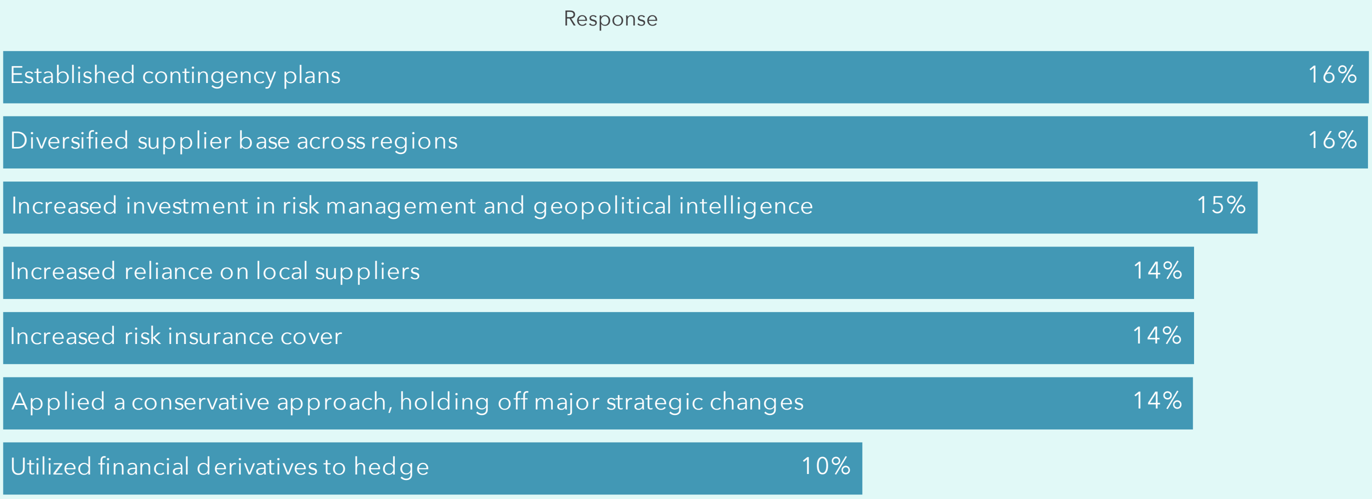


Top business risks in the next 12 months



Impact of recent geopolitical events and responses





Key Recommendations

Businesses should exercise caution and revisit their growth strategies, such as enhancing client coverage across high-growth economies. Economic growth will be asymmetric, posing risks and presenting pockets of opportunity. Businesses operating in economies experiencing a slowdown may be partially immune if most of their corporate family tree (subsidiaries, joint ventures, & affiliates) is operating in economies experiencing expansion. 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 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 has enhanced the need for supplier evaluation and benchmarking of sustainability practices against industry and economy 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 records, present capital structure and changes over time, and available collateral for liquidation in case of bankruptcy.

Dun & Bradstreet Global Business Optimism Index: 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.

Economies covered in the survey			
Argentina	Indonesia	Russia	United Kingdom (U.K.)
Australia	Israel	Saudi Arabia	United States of America (U.S.)
Brazil	Italy	South Africa	
Canada	Japan	South Korea	
Czech Republic	Kenya	Spain	
Egypt	Mexico	Sweden	
France	Netherlands	Switzerland	
Germany	Nigeria	Taiwan Region	
Hungary	Norway	Türkiye	
India	Poland	United Arab Emirates	

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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Dun & Bradstreet's Country Insight solutions deliver country- and region-specific insight and data-driven analysis, helping businesses in various industries and sectors globally minimize current risks. Our solutions allow you to identify emerging challenges and explore opportunities for market expansion and longer-term investment. Our analysis covers economies accounting for 99% of global GDP.

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.

Find us Here

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About Dun & Bradstreet

Dun & Bradstreet, a leading global provider of data and analytics, enables companies around the world to improve decision-making and business performance. Dun & Bradstreet's Data Cloud fuels solutions and delivers insights that empower customers to accelerate revenue, lower cost, mitigate risk, and transform their businesses. Since 1841, companies of every size have relied on Dun & Bradstreet to help them manage risk and reveal opportunity.