

Coupa Business Spend Index Revealed that Business Confidence is Accelerating

Continued improvement in spending was driven by strong order activity, signaling an acceleration in economic growth into Q3

SYDNEY – 24 May, 2021 -- Coupa Software (NASDAQ: COUP) has published the findings from its Business Spend Index (BSI), Q2 2021 Outlook. The Coupa BSI is a predictive measure of business confidence, leveraging insights from billions of dollars of annual business spend data from the Coupa Community, that delivers business value and insights at the macro and industry level. Confidence in future economic opportunity is defined by the willingness of the businesses to commit to spend. This quarter, business spend confidence as measured by the BSI showed continued improvement, increasing to 91.4. Driven in part by strong order activity, the rate of improvement also accelerated, suggesting that U.S. economic output is on a path to return to "normal" levels over the coming months.

"It's encouraging to see signs of optimism in the economic outlook after the precipitous drop at the start of the pandemic," said Jeff Collins, chief economist at Coupa. "However, a full rebound will take time given slower improvements in some sectors, such as healthcare, manufacturing, and high tech that were hit with labour shortages and supply chain disruptions. In the near term, we expect the economy to improve modestly, accelerating throughout Q2 2021 as COVID infection rates decline and vaccinations increase."

As businesses begin planning a return to the office, spending on goods and services related to in-person office environments increased. Data from this quarter showed the following quarter-over-quarter changes, measured by average spend per customer:

37.5 percent increase in business spending on air travel
20.5 percent increase in business spending on office supplies
9.8 percent increase in business spending on technology, including hardware, software, and services
24.9 percent decrease in contingent workforce spend
65.3 percent increase in business spending for shipping and freight

Insights in Key Vertical Industries:

It's important to note while we're seeing increased volatility at the individual sector level, the business confidence level continued to trend upwards when looking in aggregate across all sectors. The BSI reflects business confidence at the macroeconomic level and is highly correlated with output growth. While we estimate industry level Business Spend Indices for a handful of industries, they reflect only a portion of overall business activity.

Business Services: The BSI for Business Services increased as demand for business and IT services accelerated, driving improved confidence in the sector that was hard hit by the pandemic.

Financial Services: The BSI for Financial Services remained unchanged. Despite rising default risk, business confidence in the sector remained stable throughout the pandemic. Income support from a variety of programs will continue to prop consumer demand benefiting the banking industry in the near term.

Health and Life Sciences: The BSI for Health and Life Sciences decreased, driven by a significant decrease in Pay activity. We expect the sector to continue to perform below trend into Q3. Although hospitals are expected to see a return to more normal operations as vaccines become widespread, rising costs and staffing shortages will continue to affect output.

High Tech: The BSI for High Tech was relatively unchanged this quarter. We expect the sector to continue to perform on par, however global chip shortages could disrupt activity in the sector and reduce growth.

Manufacturing: The BSI for Manufacturing decreased for the third consecutive quarter. Strong demand for materials, coupled with supply chain disruptions drove price increases and wide-scale shortages.

Retail: The BSI for Retail strongly decreased this quarter but remains above trend. Strong output from grocery and online retailers bolstered the sector overall, however, brick and mortar retailers continued to suffer and retail employment remained depressed.

For further insights and analysis related to the Coupa BSI, visit

<https://www.coupa.com/blog/technology-innovation/re-engineering-coupas-business-spend-index>.

To view the Coupa BSI Q2 2021 Outlook in its entirety, visit www.spendindex.com.

Disclaimer: The findings of the BSI are not necessarily indicative of trends happening with Coupa's business.

The Coupa BSI Methodology

The Coupa BSI is a predictive measure of business confidence. We produce the BSI by combining the power of Coupa Community data (billions of dollars anonymised business spending within the Coupa platform) with the intelligence of statistical models.

Through our Community data, we derived factors representative of business spend decisions. To provide clarity and preserve anonymity, we group these factors into three categories – to Search for new suppliers, to Order and commit to spend, and to Pay for goods and services used by the business. Then, we use our proprietary algorithm for variable selection from Coupa's Demand Modeler to choose the right group of variables to best predict economic activity. Using these features, we fit a dynamic factor model based on rich academic literature on economic index creation. By estimating an underlying factor driving the group of variables, we are able to create the Coupa BSI.

The Coupa BSI is normalised to a baseline value of 100, which represents the state of business spend in the baseline reference period (January 2018) computed using the dynamic factor model with the three grouped factors.

About Coupa Software

Coupa empowers companies around the world with the visibility and control they need to spend smarter and safer. To learn more about how Coupa can help you spend smarter, visit <https://www.coupa.com>. Read more on the Coupa Blog or follow @Coupa on Twitter.

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