

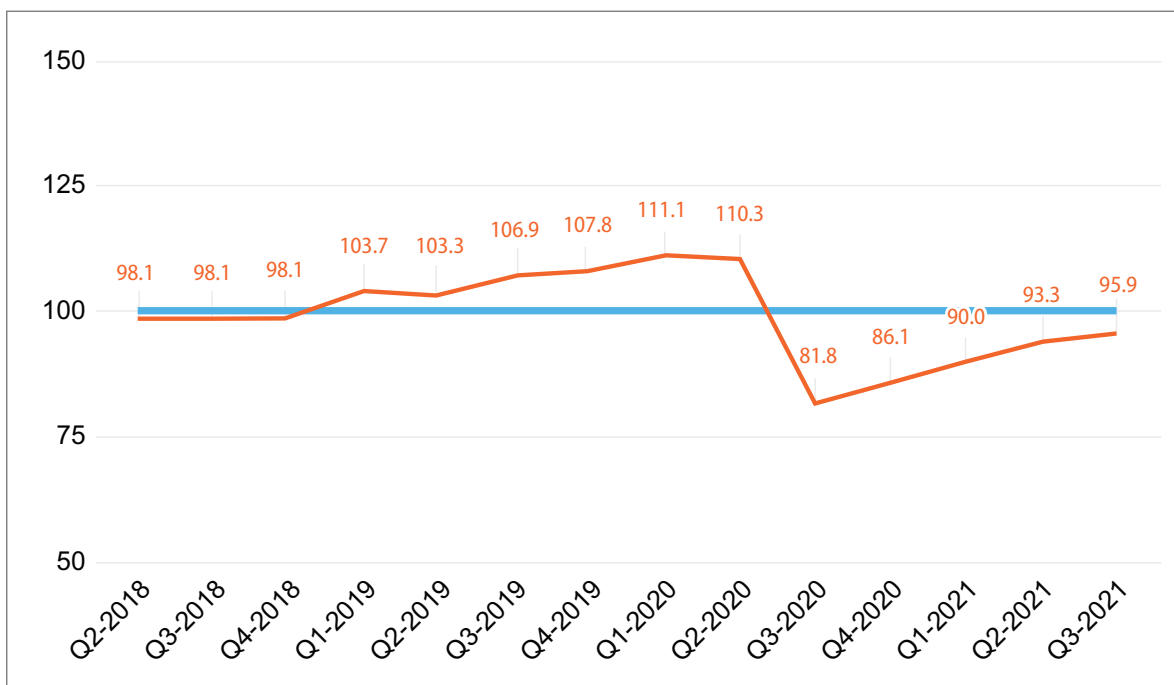
## THE COUPA BUSINESS SPEND INDEX, Q3 2021 REPORT

The Coupa Business Spend Index (BSI) is a predictive measure of business confidence in future economic opportunity as defined by willingness of businesses to commit to spend. Business spend data showed continued improvement in Q3 2021, increasing nearly 3 percent from last quarter, representing continued confidence in the economic outlook.

This quarter, business spend confidence as measured by the BSI increase to 95.9 (up from 91.4 in Q2 2021). Driven in part by strong Order activity offset by some weakness in Pay activity, the rate of improvement in business confidence appears to be decelerating as the economy approaches trend since sharply declining in Q2 2020.

The BSI is powered by the billions of dollars of aggregated, anonymized, and permissioned business spend data flowing annually through our platform. This data provides an unparalleled look into the past, present, and planned spend of companies around the globe. In turn, this provides insight into the larger trends affecting our economy and key industries, including: Business Services, Financial Services, Health and Life Sciences, High Tech, Manufacturing, and Retail.

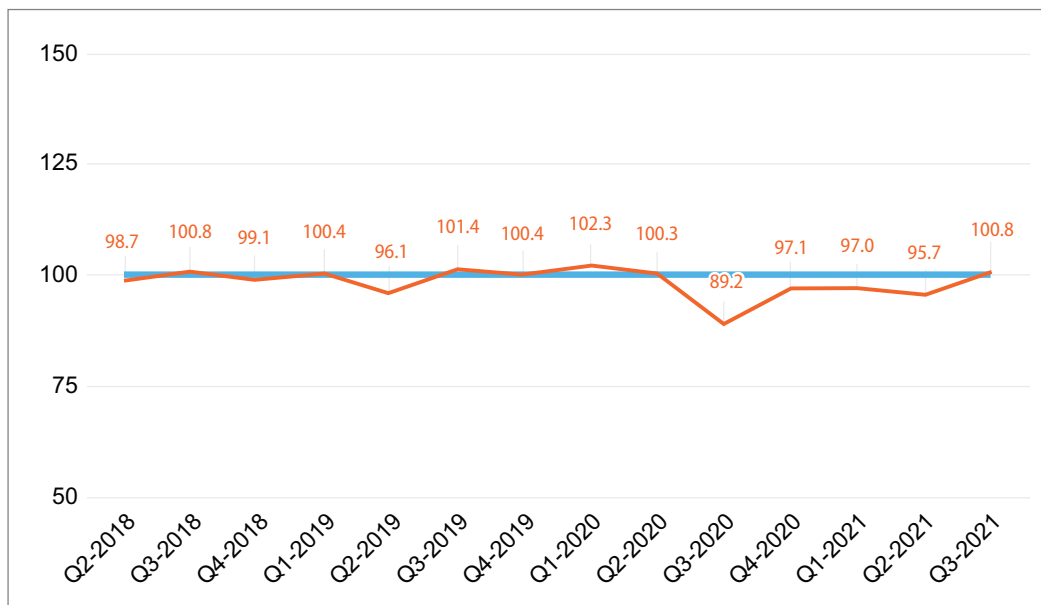
### Business Overall



## Industry-Specific Insights:

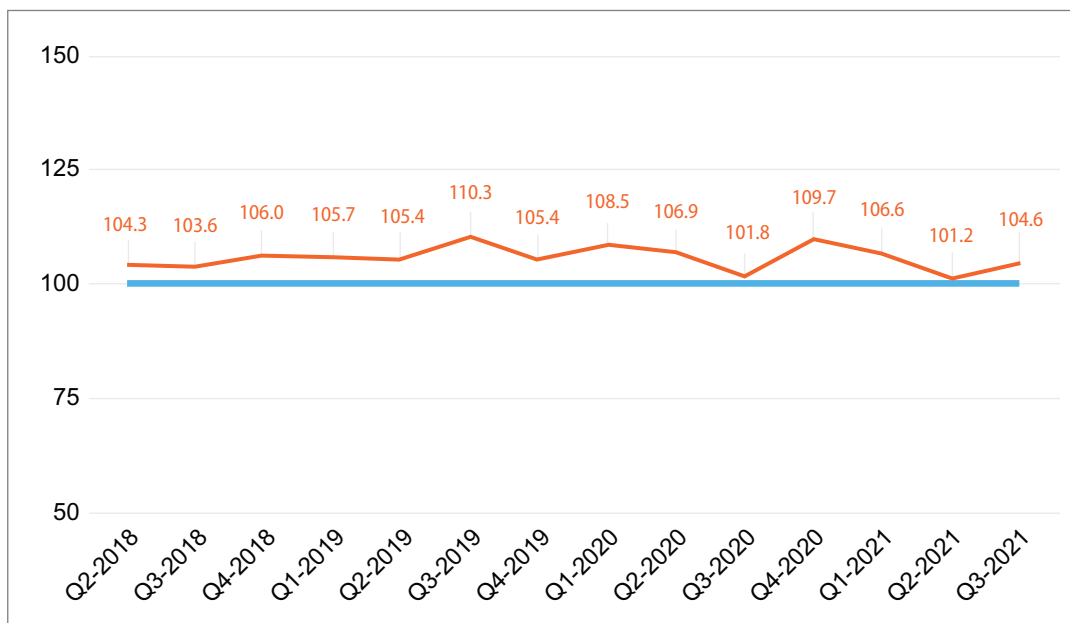
**Manufacturing:** The BSI for Manufacturing **increased**, moving above trend for the first time in three quarters, up 5.1 points from roughly 95.7 in Q2 to 100.8 in Q3. The strong increase in Manufacturing was driven by Order activity with a large increase in Spend. Increasing demand is expected to put additional pressure on stressed supply chains as well as prices.

### The Coupa BSI - Manufacturing



**Retail:** The BSI for Retail **increased** strongly this quarter to 104.6 in Q3 2021, which indicates business confidence in the sector has rebounded after a significant decrease in Q2 2021. It's important to note that there has been wide variation in how sub-sectors within retail have been impacted by the pandemic. Recent evidence suggests consumers are returning to brick-and-mortar locations.

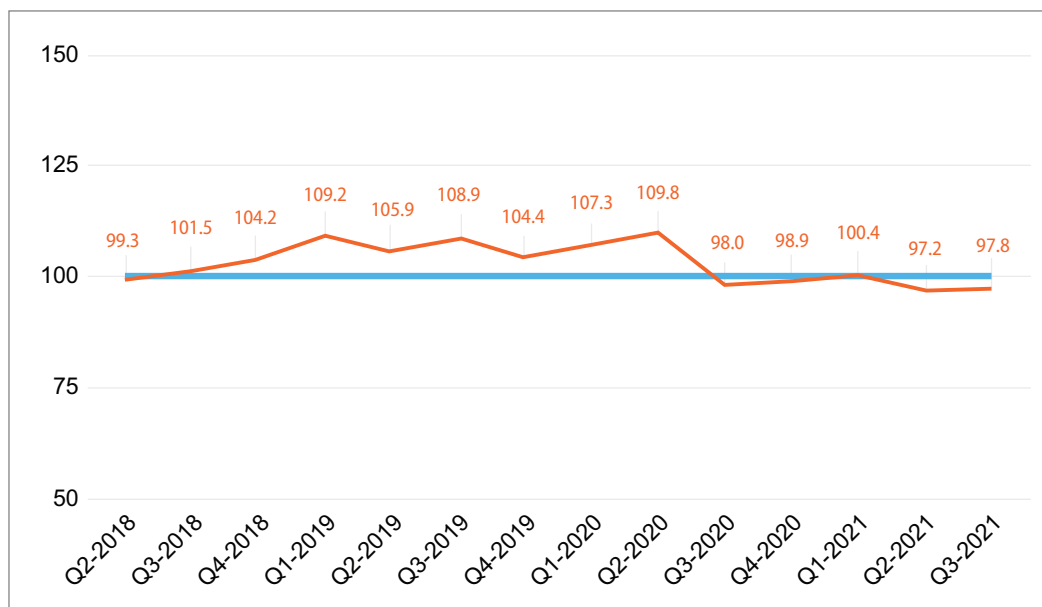
### The Coupa BSI - Retail



Learn more in the digital experience for The Coupa Business Spend Index: [Explore Now](#)

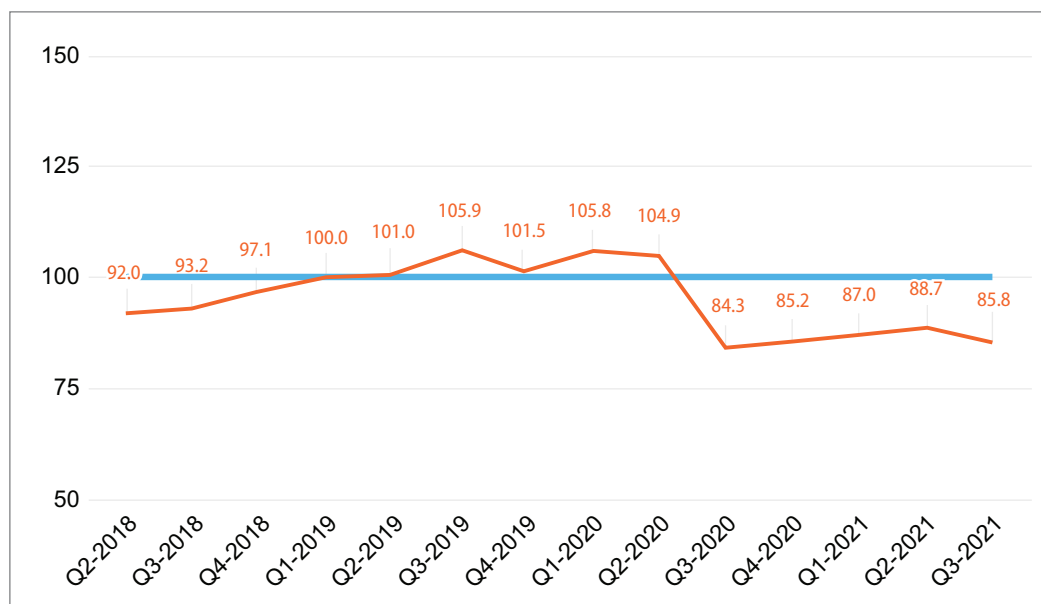
**Health and Life Sciences:** The BSI for Health and Life Sciences saw a modest **increase** quarter-on-quarter to 97.8 in Q3 2021. Growth in the industry was hampered by large decreases in Pay activity. We expect the sector to continue to perform near trend for the next one to two quarters. While Health and Life Sciences has greater upside risk, increasing COVID-19 cases and overwhelmed hospitals as a result of the Delta variant do not bode well for the sector.

### The Coupa BSI - Health and Life Sciences



**Business Services:** The BSI for Business Services **declined** this quarter following three straight quarters of increase, from 88.4 in Q2 to 85.8 in Q3. The change in the BSI was driven by a decrease in activity across Search, Order, and Pay. Order activity decline was driven by a strong drop in spend per customer. We expect sector performance to continue to decelerate based on overall deceleration in the BSI.

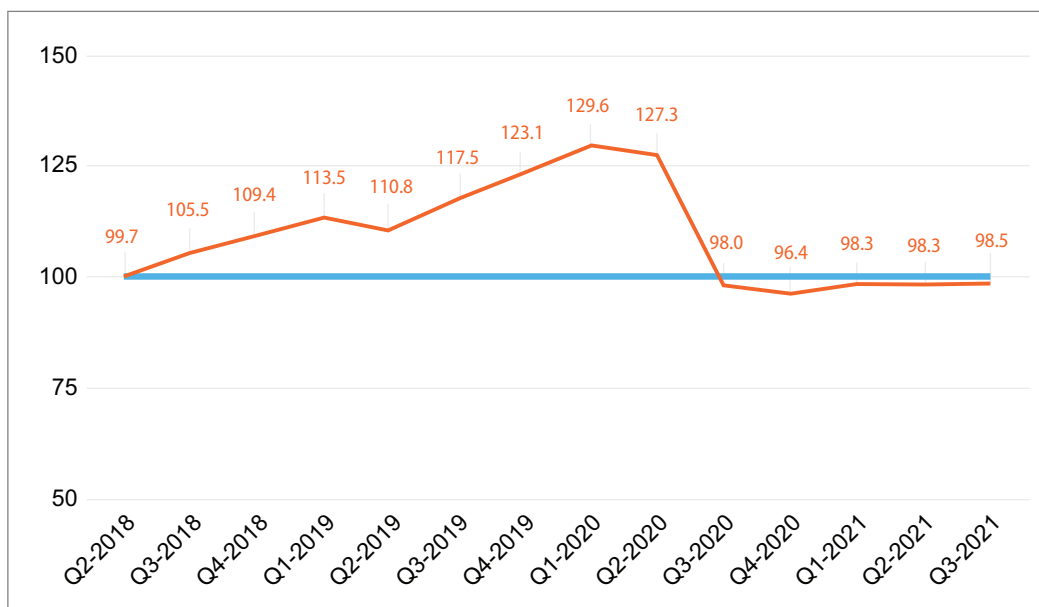
### The Coupa BSI - Business Services



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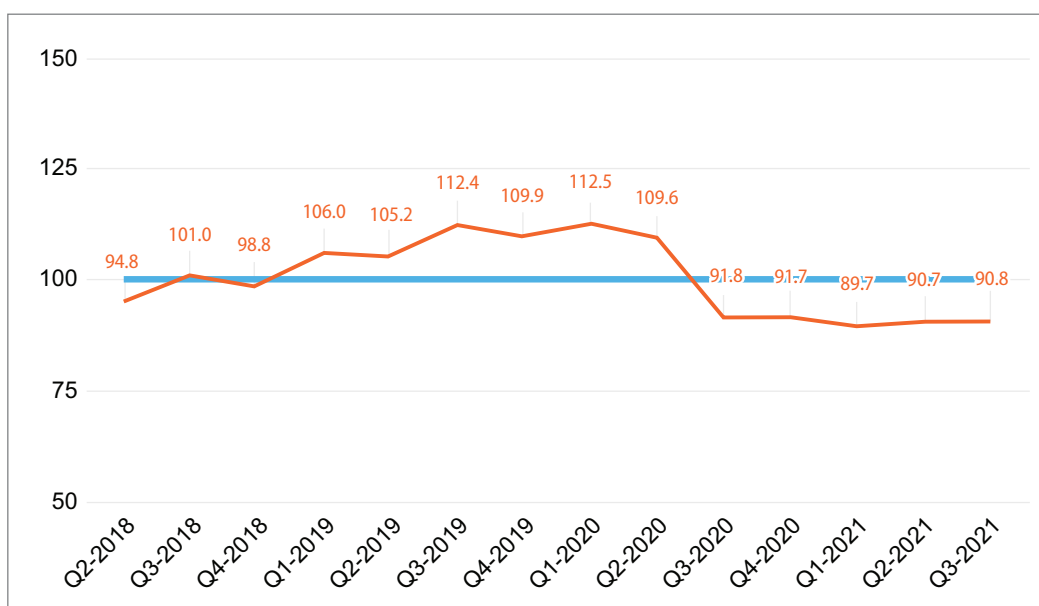
**Financial Services:** The BSI for Financial Services was **unchanged**, remaining near trend this quarter at 98.5, essentially unchanged quarter-on-quarter. Positive Pay activity was offset by a large decline in Order activity. Despite rising default risk, business confidence in the sector remained 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. Inflation does not appear to be significantly impacting interest rates supporting the hypothesis that commodity price increases were being driven by temporary market imbalances.

**The Coupa BSI - Financial Services**



**High Tech:** The BSI for High Tech was relatively **unchanged** this quarter at 90.8. We expect the sector to continue to perform on par with the previous four quarters, however, global chip shortages could disrupt activity in the sector and reduce growth into 2023. Steadiness this quarter is driven by increases in Pay activity which are offset by decreases in Order activity.

**The Coupa BSI - High Tech**



**Other Services:** The BSI for Other Services, which had been significantly impacted by the pandemic, is recovering at a modest pace of 2.85 percent from 71.7 in Q2 to 73.3 in Q3. The sector performance is improving but still remains well below trend and is unlikely to fully recover until the pandemic is “over.”

### 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 anonymized 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 normalized 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 Community Intelligence

Coupa Community Intelligence is an AI-powered engine that objectively analyzes transactional spend data flowing through the Coupa BSM Platform and prescribes instant insights that help companies spend smarter, simpler, and safer. Built in the cloud, Coupa uniquely has access to transactional business data, which enables its Community Intelligence engine to leverage the latest in machine learning and AI to provide more accurate benchmarks and high-value insights.

### 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 [Coupa.com](https://Coupa.com). Read more on the [Coupa Blog](#) or follow [@Coupa](#) on Twitter.