

EMBARGOED UNTIL: 00:01 (UTC) July 16th 2018

IHS Markit China Business Outlook

Optimism towards future output growth remains stable in June

Key findings:

- Firms anticipate output to increase, though optimism remains weaker than global trend
- Hiring intentions slip to near two-year low
- Sentiment regarding future profits falls to lowest since June 2016

Data collected June 12-22

Chinese companies are optimistic that output will increase over the next year, according to the latest IHS Markit Business Outlook survey. However, the net balance of companies anticipating growth (+19%) is unchanged from those recorded in the prior two survey periods, to suggest that sentiment remains relatively subdued. Notably, optimism towards future business activity is the joint-weakest globally.

Data broken down by sector indicate similar levels of confidence across both the manufacturing and service sectors. However, growth projections at services companies have edged down from February to the lowest since October 2016.

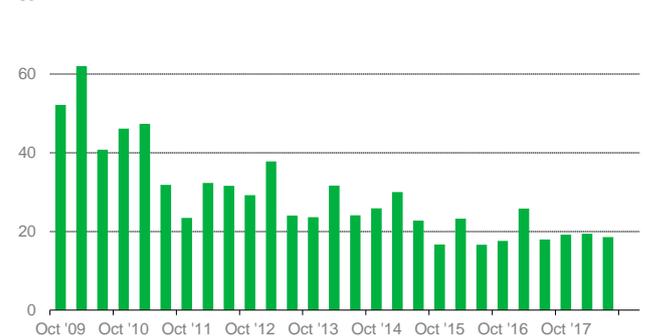
Optimism has been attributed to new product releases, forecasts of rising client demand, efficiency improvements, supportive national policies and expectations that increased investments will expand operating capacities.

At the same time, companies have cited a number of threats to the outlook. Projections of rising input prices (particularly for raw materials), higher labour costs, tough market competition, strict environmental policies and concerns over potential global trade wars and tariffs are all seen as key issues that may weigh on future growth.

Although the level of positive sentiment towards new business remains relatively lacklustre, the net balance

China business activity expectations

% of companies expecting an increase in next 12 months minus % expecting a decline



Source: IHS Markit.

of companies anticipating an increase in new orders has edged up to the highest since early-2017.

Employment & Investment Plans

Hiring intentions across China have softened in June, with the net balance of firms expecting to raise their workforce numbers dipping to the lowest in nearly two years. Notably, manufacturers anticipate job shedding for the first time since October 2016, while service providers have scaled back their hiring plans compared to February.

Although businesses anticipate capex to increase in 12 months' time, the overall level of sentiment is down to a one-year low. Sector data indicate that both manufacturers and service providers foresee slower growth in capex, with the latter at their least upbeat in the survey history.

Inflation Expectations

Companies in China expect an increase in cost burdens in the year ahead. The net balance of firms forecasting inflation has edged up slightly since February, but remains the lowest of all 12 nations for which comparable data are available.

Projections of higher input costs have led firms to plan to increase their selling prices over the next year. That said, the expected pace of charge inflation is softer than foreseen in February and only slight. Forecasts of slower growth in service sector charges compares with no change in expected pricing policies among manufacturers.

Corporate Earnings

Business revenues and profits at Chinese companies are expected to increase over the next 12 months. That said, net balances are down in both cases to two-year lows. Business revenue projections have been revised down in both monitored sectors. As for profits, unchanged sentiment across services companies compares with a drop at goods producers.

Comment:

Commenting on the China Business Outlook survey data, **Annabel Fiddes**, Principal Economist at IHS Markit, said:

“The latest business outlook survey indicated that optimism remained relatively lacklustre in China midway through 2018. Notably, confidence towards future activity was the joint-weakest of all nations monitored by the survey.

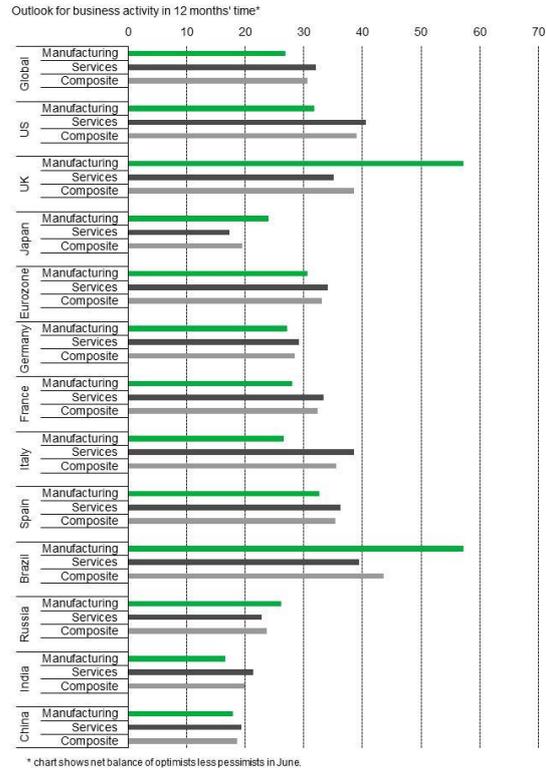
“Another key finding was that Chinese manufacturers anticipated cutting their workforce numbers for the first time in nearly two years, while hiring intentions softened across the service sector.

“While optimism was supported by planned new product releases, improved efficiency and accommodative national policies, companies cited a number of threats to the outlook. Stricter environmental policies, greater input costs and concerns over global trade wars and tariffs were all seen as having the potential to limit growth over the coming year.”

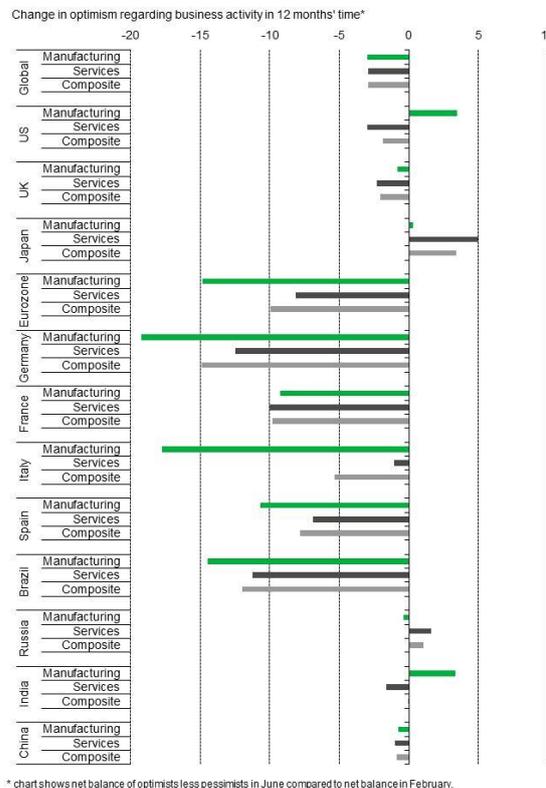
-Ends-

Full data available on request from economics@ihsmarkit.com

Business optimism in June



How business activity expectations have changed since February



For further information, please contact:**IHS Markit**

Annabel Fiddes, Principal Economist
Telephone +44-1491-461-010
Email annabel.fiddes@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44-207-260-2234
Email joanna.vickers@ihsmarkit.com

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 June 12 and 22.

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, fax, 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.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners ©2018 IHS Markit Ltd. All rights reserved.

The intellectual property rights to the Business Outlook survey provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trademarks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trade mark of IHS Markit Ltd. and/or its affiliates.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, [click here](#).