

**EMBARGOED UNTIL: 23:01 (UTC) July 11<sup>th</sup> 2021**

# IHS Markit US Business Outlook

## US private sector optimism strongest for seven years

### Key findings:

- Business expectations improve amid boosts to new sales following relaxations of COVID-19 restrictions
- Staff costs forecast to rise markedly as firms struggle to find workers
- Profit predictions strengthen to highest since October 2018

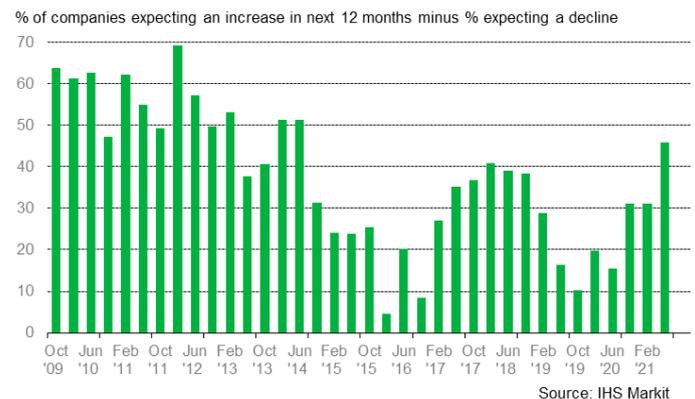
Data collected June 10-28

The latest IHS Markit Business Outlook survey indicated that business confidence among U.S. private sector firms was the strongest since June 2014 at the end of the second quarter. At +46%, the net balance of firms expecting a rise in output over the coming year was strong and much higher than that seen in February (+31%). Manufacturers and service providers alike noted greater confidence in the outlook for activity, with goods producers registering the most marked level of optimism in over seven years.

Opportunities for growth were widely linked to the reduced intensity of the COVID-19 pandemic and relaxation of lockdown measures. Many firms also stated that demand had picked up notably in recent months, with companies hoping to take advantage of such conditions and boost new sales. Some survey respondents suggested that new products and services could support output growth as well, as face-to-face spending increases.

Nonetheless, threats around the outlook lingered, with firms commonly stating that higher input costs and inflation are likely to impact businesses over the next year. Alongside supplier price hikes, companies continued to highlight supply-chain disruption and resulting pressure on capacity. Another key area of concern is the availability of workers and difficulties enticing employees back following the pandemic. Firms

### US business activity expectations



foresee greater issues hiring new staff over the coming year, with wage bills expected to soar as a result.

### Employment & Investment Plans

U.S. private sector companies were more confident of a rise in employment over the coming year than in February. At +28%, the net balance of firms that expect an increase in hiring was the highest since February 2013. Much of the uptick came from service providers, where employment growth projections reached the highest since February 2014. Nonetheless, firms noted concerns regarding their ability to find suitable candidates for vacancies and difficulties attracting workers back to employment.

Private sector investment plans were less clear cut in June, as predictions of greater capex spending reached an over seven-year high (net balance of +17%), but expectations regarding R&D spending dipped to the lowest in a year (net balance of +6%).

### Inflation Expectations

Manufacturers and service providers registered an uptick in expectations regarding staff costs over the coming year. At +40%, the net balance of firms

anticipating a rise in wage bills was the highest since data collection for the series began in October 2018, as businesses anticipated the use of additional incentives to entice and keep workers.

At the same time, the net balance of companies predicting a rise in non-staff costs fell from that seen in February. The decrease was driven by service providers, as manufacturing firms signalled similar expectations to the previous survey period amid ongoing supply chain disruption.

Meanwhile, private sector firms anticipate increases in selling prices over the next year. The net balance of companies planning to raise their charges was the highest on record (since October 2009).

### Corporate Earnings

In line with forecasts for higher output charges, and despite unfavourable sentiment regarding future costs, the net balance of companies expecting greater profits over the next year rose to the highest since October 2018.

### Comment:

Commenting on the US Business Outlook survey data, **Siân Jones**, Senior Economist at IHS Markit, said:

*“U.S. private sector firms were much more upbeat regarding the outlook for output over the coming year during June. Overall, sentiment was the strongest for seven years, amid hopes of an end to COVID-19 restrictions and further boosts to client demand.”*

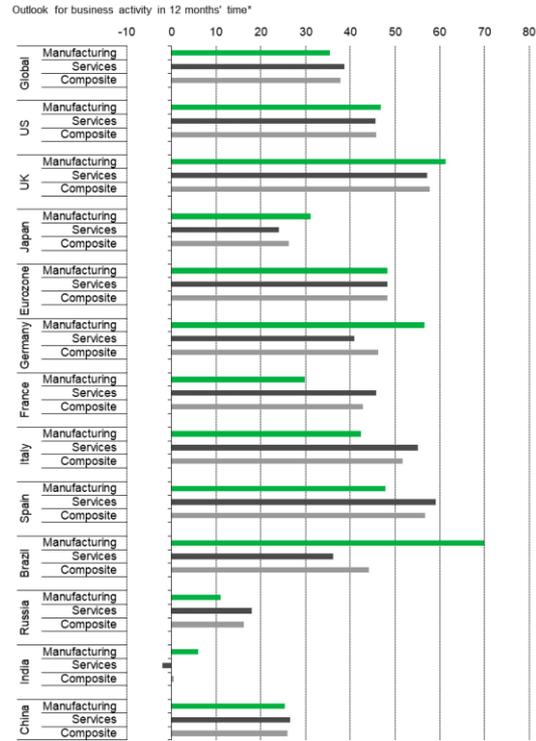
*“Cost pressures are expected to remain problematic over the next year, with firms anticipating that further difficulties enticing workers back to employment and the need for additional incentives will push up wage bills. Nonetheless, companies expect greater workforce numbers over the next 12 months, amid a sustained rise in new business.”*

*“Despite predictions of mounting wage costs, firms were confident of increases in selling prices and profits over the coming year.”*

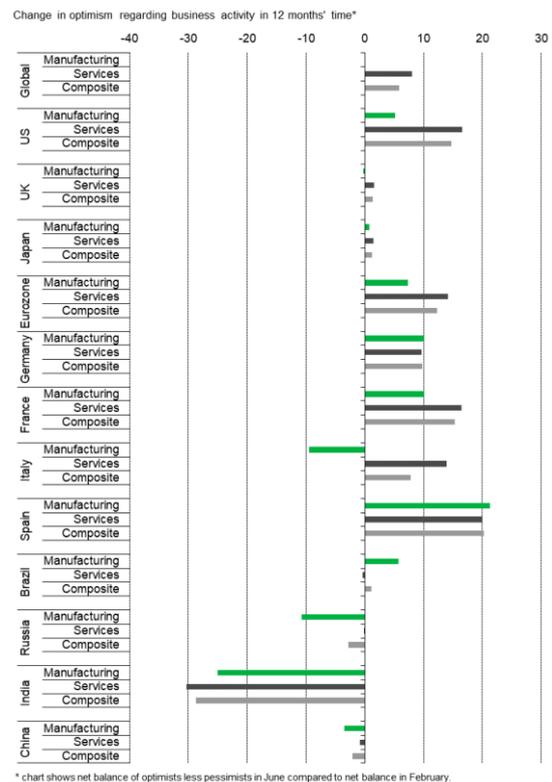
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Full data available on request from [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com)

### Business optimism in June



### How business activity expectations have changed since February



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**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 8,000 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 10 and 29.

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, 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 8,000 firms.

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