

EMBARGOED UNTIL: 00:01 (UTC) November 19th 2018

IHS Markit US Business Outlook

US business optimism slips to one-year low in October

Key findings:

- Business confidence weakens in October, but remains stronger than global average
- Prices charged set to rise at quickest pace for three years
- Profit predictions dip to lowest since February 2017

Data collected October 12-26

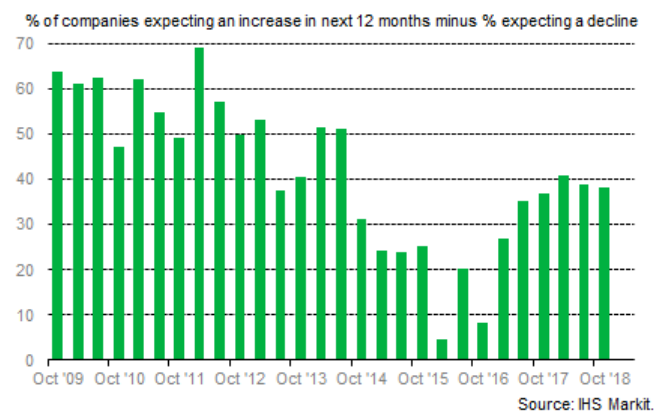
The latest IHS Markit Business Outlook survey indicates that US private sector firms expect business activity to increase over the coming 12 months. At +38%, the net balance of companies anticipating growth has dipped to the lowest since October 2017. Although below the long-run average (+42%), firms are more optimistic than the global trend (+28%).

Companies linked positive forecasts to strong client demand and greater investment in new machinery and facilities. Some panellists also indicate plans to increase employment would enable them to expand output. That said, firms cited concerns surrounding tariffs, future price increases and supplier delays. Overall, service sector firms are more confident than their manufacturing counterparts.

Meanwhile, firms foresee a further rise in costs over the next year. Consequently, output prices are set to increase, most notably in the manufacturing sector. Moreover, selling prices at the composite level are anticipated to increase at the fastest increase in three years.

Although goods producers and service providers are optimistic that profitability will rise over the coming year, the level of confidence weakened since June's survey to the lowest since February 2017.

US business activity expectations



Employment & Investment Plans

Firms in the U.S. expect to increase their staff numbers over the next year, but are slightly less optimistic regarding hiring in October (+20%) compared to June (+22%). Furthermore, October's net balance is the lowest in a year and mirrors the trend seen across many major economies. Less robust expectations towards future employment growth are seen in both the manufacturing and service sectors.

Conversely, firms are more buoyant in regards to predictions for future capital investment. The net balance of firms anticipating higher capex (+13%) is the highest since June 2017, with both manufacturers and service providers forecasting greater investment.

Inflation Expectations

Private sector firms in the U.S. foresee a further increase in input costs over the next 12 months, but expectations have moderated from those seen in June. The respective net balance (+15%) is the lowest for one year, below that registered at the global level and across developed markets as a whole.

Manufacturers and service providers generally expect to increase their output prices over the next 12 months.

The net balance of firms anticipating greater charges (+23%) is the highest in three years, largely driven by manufacturing firms who plan to increase their prices at the quickest pace since October 2012.

Corporate Earnings

Forecasts regarding profitability over the next year are weaker than in June, with the respective net balance posting its lowest level since February 2017.

Comment:

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

“October survey data are indicative of further strong output expectations for the coming year among U.S. private sector firms. Notably, growth predictions remain far more positive than those seen across other developed markets, despite softening from earlier in the year.”

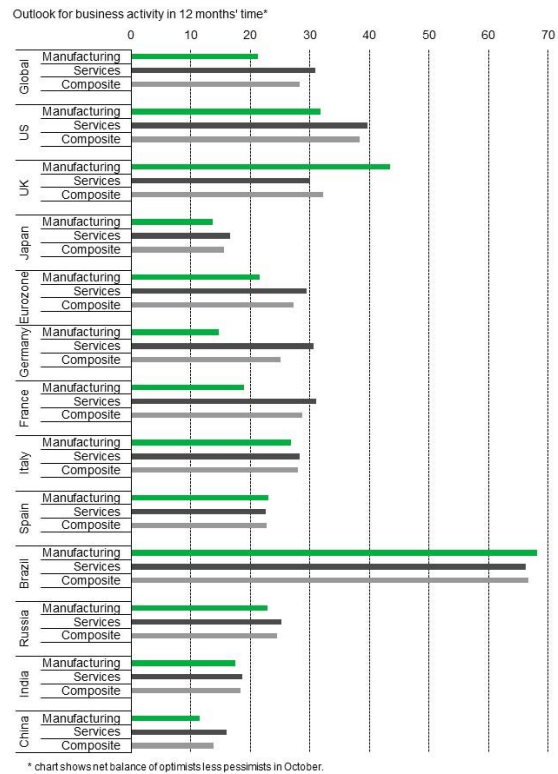
“Employment is also forecast to rise further, albeit at a softer pace, while capex plans are broadly stable. Encouragingly, companies foresee greater capital spending in both the manufacturing and service sectors.”

“Another key finding is panellists’ views surrounding price pressures, with many highlighting tariffs as a key threat to future growth. Although input prices are expected to rise further, firms foresee greater opportunities to increase output charges to help alleviate pressures on margins.”

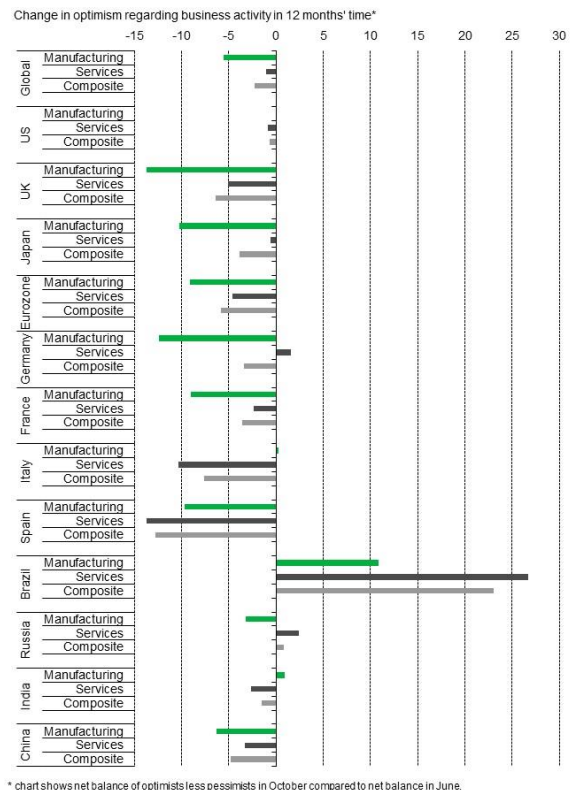
-Ends-

Full data available on request from economics@ihsmarkit.com

Business optimism in October



How business activity expectations have changed since June



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

Siân Jones, Economist
Telephone +44-1491-461-017
Email sian.jones@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 October 12 and 26.

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 0.0 signalling a neutral outlook for the coming twelve months. Values above 0.0 indicate optimism amongst companies regarding the outlook for the coming twelve months while values below 0.0 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](#).