

**EMBARGOED UNTIL: 00:01 (UTC) November 10<sup>th</sup> 2020**

# IHS Markit US Business Outlook

## US business confidence picks up to two-year high

### Key findings:

- Output expectations strengthen on hopes of an end to the COVID-19 crisis
- Investment and hiring both forecast to expand
- Profitability projected to increase amid plans to raise selling prices

Data collected October 12-27

The latest IHS Markit Business Outlook survey signalled that optimism among U.S. private sector firms regarding future business activity improved in October amid hopes of an end to the coronavirus disease 2019 (COVID-19) pandemic. The net balance of companies forecasting growth (+31%) was strong when compared with the global average (+26%) and picked up notably from +15% in June. In fact, firms were the most upbeat since October 2018.

Where companies expected output to rise over the coming year, this was attributed to hopes of an end to the COVID-19 pandemic and the release of pent-up demand. Some firms also expressed hopes of a reduction in political uncertainty following the presidential election, and a recovery in the global economy, which panellists anticipated would also boost foreign sales.

Although the net balance was around double that seen in June, it was below the long-run series average (+38%). Concerns were generally related to any further resurgences of the virus, ongoing supply chains issues, raw material shortages, and legislative changes following the presidential election.

At the sector level, the boost in positive sentiment was driven by service providers (net balance at a two-year high of +34%), as goods producers registered the lowest net balance since October 2019 (+19%).

### US business activity expectations



### Employment & Investment Plans

The net balance of firms that expect employment to rise over the coming year (+15%) picked up from that seen in June (+9%), as service providers were more upbeat regarding their hiring intentions. US private sector firms were the most confident of an increase in employment of the 12 monitored countries for which comparable data are available.

Similarly, the net balance of firms anticipating increased investment in capital (+16%) and research & development (+13%) rose during October. Moreover, capex intentions were the highest since February 2014 and sentiment around R&D reached a new series record. The net balances were also among the highest globally, lower than only Brazil and India.

### Inflation Expectations

Private sector companies projected stronger inflationary pressures over the coming year, as the net balances for those expecting higher staff (+18%) and non-staff (+20%) costs ticked up. Manufacturers and service providers alike anticipated greater purchase prices over the coming 12 months, with the net balance for non-staff costs reaching the highest since October 2018.

At the same time, the net balance of firms anticipating higher selling prices was the greatest for two years (+19%). Companies hope to pass-on greater costs to clients amid expectations of stronger customer demand and rising business activity.

### Corporate Earnings

Alongside more upbeat forecasts for output charges, companies were more confident of a rise in profits over the next year. The net balance of firms that anticipated a rise in profitability (+23%) was the highest since February 2019.

### Comment:

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

*“US private sector firms were noticeably more upbeat during October, as expectations for output, employment, investment and profits strengthened compared to those seen in June. Although the ongoing COVID-19 pandemic was identified as a potential downside risk to growth over the next year, hopes of a solution to the virus, an end to presidential election uncertainty and a release of pent-up demand all buoyed forecasts for the coming year.*

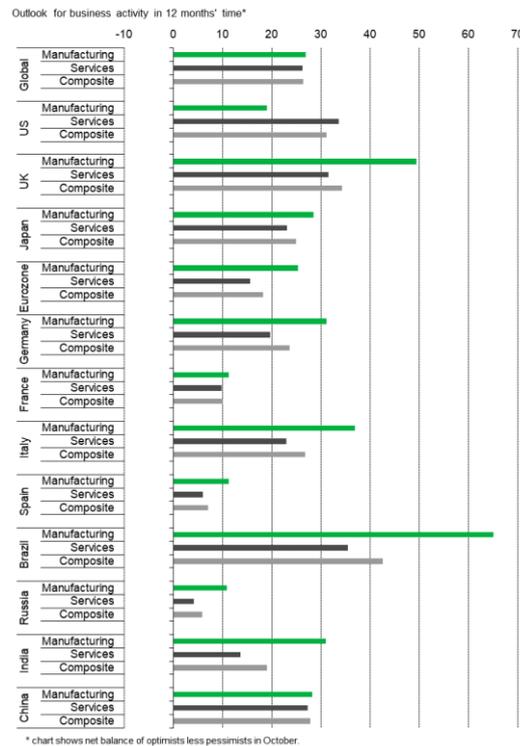
*“Encouragingly, during a time of unprecedented job losses, companies were more upbeat regarding their hiring intentions. In fact, confidence was the strongest since February.*

*“On the price front, cost pressures are expected to pick up in the next year amid supply chain disruption, but firms expressed greater optimism regarding future increases in selling prices and profitability.”*

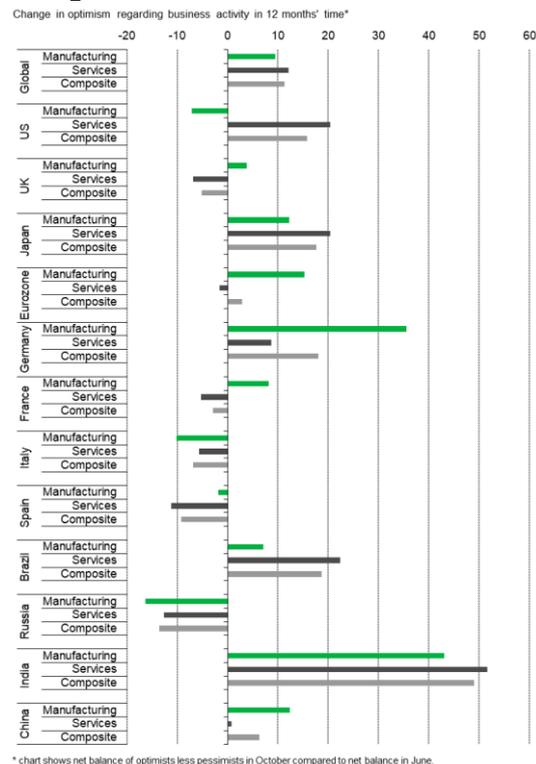
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Full data available on request from [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com)

### Business optimism in October



### How business activity expectations have changed since June



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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 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 9 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 7,000 firms.

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