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IHS Markit US Business Outlook

US business confidence strongest since June 2014

Key findings:

- Optimism surrounding future output increases to highest in over three years
- New business and profit expectations also strongly positive
- Job hiring intentions reach three-and-a-half year peak

Data collected October 12-26

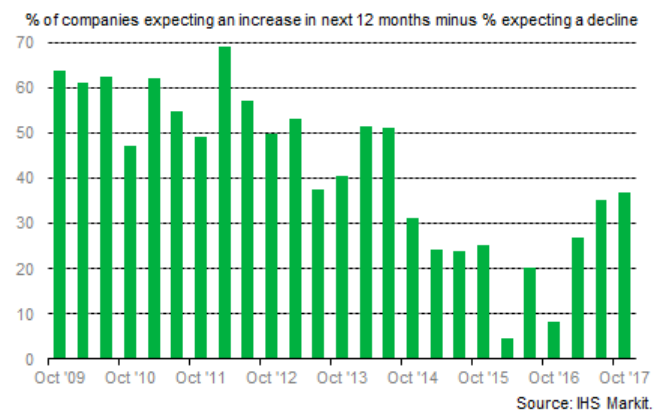
The latest IHS Markit Business Outlook survey indicates a strong degree of confidence within the US private sector regarding future output. This was shown by a net balance of +37% of companies forecasting growth, the highest since June 2014. Firms generally linked positive sentiment to more favourable business conditions and new product developments.

Expectations were also influenced by more robust client demand and larger customer bases. That said, supply chain pressures and possible changes in government regulation were identified as potential threats to growth.

Manufacturers and service providers also forecast a solid expansion in new business over the year ahead, with overall optimism around work reaching its highest in over three years. Greater client activity and expansion into new markets have been cited as reasons for the anticipated rise in new orders. At the sector level, both manufacturers and service providers expressed a marked degree of optimism towards future new orders.

In line with positive expectations for business activity and new orders, firms forecast the strongest rise in business revenues since June 2014. Furthermore, expectations around future profits are at their most positive since February 2014, amid reports of new

US business activity expectations



product developments and investment opportunities in the coming 12 months.

Notably, US firms have a larger degree of optimism regarding future profitability when compared to the global average.

Employment & Investment Plans

Favourable forecasts regarding new business and activity underpinned predictions of further job creation. The latest survey data indicated that employment growth is set to be the strongest since February 2014.

Goods producers look set to see a marked rise in staffing levels over the coming year, with optimism the highest in over three years. Service providers also signal a pick-up in confidence regarding job hiring plans. US workforce numbers are expected to expand at a faster pace compared to the global average.

Inflation Expectations

US private sector firms foresee a rise in cost burdens over the coming year, driven by supplier shortages and increased raw material prices. That said, companies look set to see a relatively muted rise in input prices when compared to the global average.

Expectations regarding future selling prices are meanwhile at their highest in a year. Forecasts for output price inflation have been largely influenced by expectations that higher input costs will be passed on to clients.

Corporate Earnings

Despite stronger output predictions and relatively muted inflation forecasts, future investment plans are subdued in the context of the series history. This is despite optimism improving to its second-highest since June 2016. Firms in both the manufacturing and service sector forecast similar increases in capital expenditure over the coming 12 months, with confidence slipping from June's survey period.

Comment:

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

“The latest IHS Markit US Business Outlook data signal strengthened expectations with regards to future activity and new business for the year ahead. Optimism among private sector firms is the highest since June 2014 for both output and new orders. Moreover, confidence is reflected across both manufacturers and service providers. Anecdotally, firms cited greater client activity and larger customer bases as reasons for improved sentiment.”

“Private sector firms’ plans for hiring are also forecast to pick up in the coming year, as companies expect to raise staff numbers to the greatest extent since early-2014.”

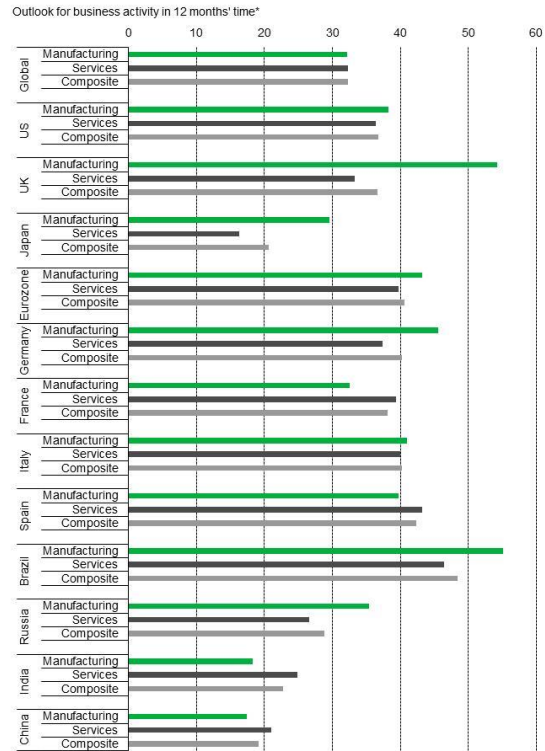
“In line with greater confidence, business revenues are forecast to rise at the quickest pace since mid-2014. Similarly, expectations around profits are the strongest since February 2014. Expenditure on capital investment, however, is predicted to soften from the previous survey period, but remained in line with recent trends.”

“Inflationary pressures look set to remain relatively subdued, despite output charge inflation expectations rising to the highest since last October.”

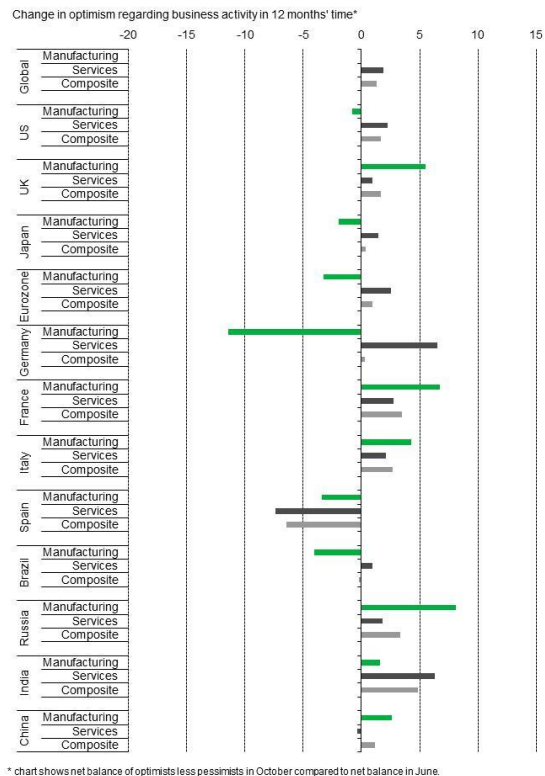
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Full data available on request from economics@ihsmarkit.com

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 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.

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