

**EMBARGOED UNTIL: 07:01 (Beijing) July 17<sup>th</sup> / 23:01 (UTC) July 16<sup>th</sup> 2017**

# IHS Markit China Business Outlook

## Chinese business confidence close to record low

### Key findings:

- Optimism towards activity, new work and revenues softens
- Staff numbers forecast to increase only slightly
- Inflationary pressures set to moderate

Data collected June 11-23

The latest IHS Markit Business Outlook survey signals that business sentiment in China towards the year ahead has weakened in June. Although companies generally forecast increases in output and new orders, the level of optimism is down from February to near record lows in both cases. As a result, firms expect to raise staff numbers at a slower pace, while also forecasting a softening of inflationary pressures.

A net balance of +18% of Chinese companies forecast greater output over the next 12 months. However, this is down from +26% in February, and below both BRIC (+24%) and global (+31%) averages. Confidence is softer across both the manufacturing (+15%) and service (+21%) sectors, with the former registering the joint-lowest level of optimism in the series history.

Respondents highlight tough competition, raw material shortages, unstable market conditions and challenging global economic conditions as key threats to the outlook. Changes to state policies, particularly environmental protection laws for manufacturers, are also linked by some panellists to subdued growth expectations.

On the other hand, new product developments, stable client demand, entry into new markets, company reforms and supportive state policies are all cited as opportunities for growth over the next year.

Expectations around new business have also

### China business activity expectations



moderated in June, with the net balance of firms predicting higher new work slipping from +27% in February to +17%. Consequently, projections for business revenues (+17%) and profits (+10%) have weakened and are among the lowest seen in the series history.

### Employment set to rise only slightly

Chinese companies do, on average, expect to hire additional workers over the next year. However, June's net balance of +6% is a step down from +8% at the start of the year and much weaker than the global average (+17%). Split by sector, the pace of payroll expansion at services companies (+9%) is set to be faster than seen at manufacturers (+3%).

### Capital expenditure expected to increase at slower pace

June survey data also point to a further rise in capital expenditure across China over the next year. A net balance of +13% of firms anticipate higher spending on capex, which is down from +21% in February. Goods producers and service providers have similar expectations around capex spending for the year

ahead, posting net balances of +14% and +13% respectively.

### Inflationary pressures forecast to soften

Chinese firms forecast a further rise in average input costs over the next year. That said, the net balance of companies that predict inflation is down from +21% to a one-year low of +12% in June. This is the lowest net balance recorded of all BRIC nations, and below the global average (+21%).

Reflective of the trend for cost burdens, Chinese businesses look set to raise their average prices charged. The rate of increase is softer than forecast in February, however, with a net balance of just +5% of companies expecting to raise their charges.

### Comment:

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

*“The latest IHS Markit Business Outlook survey revealed a renewed drop in confidence among Chinese firms during June. Furthermore, optimism towards future activity, new business and profits all fell to near-record lows.*

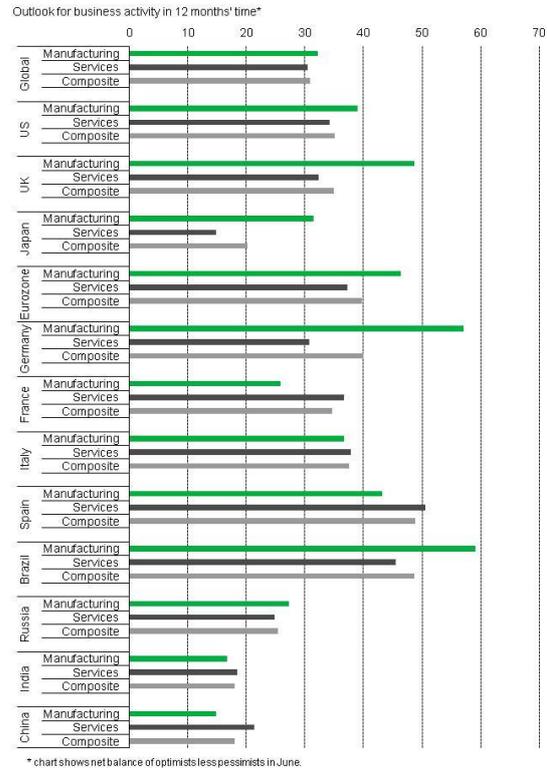
*“Lower levels of confidence were recorded across both the manufacturing and service sectors to suggest a broad-based growth slowdown in the next year. According to panellists, global economic uncertainty, raw material shortages and tough competition were all mentioned as key threats to the outlook. However, changes to state policy, company reforms and entry into new markets all offered opportunities for growth.*

*“Weaker growth expectations translated into forecasts of only marginal employment gains over the next 12 months. Inflationary pressures were also expected to soften, with Chinese firms anticipating the slowest increases in input costs and output charges of all BRIC nations.”*

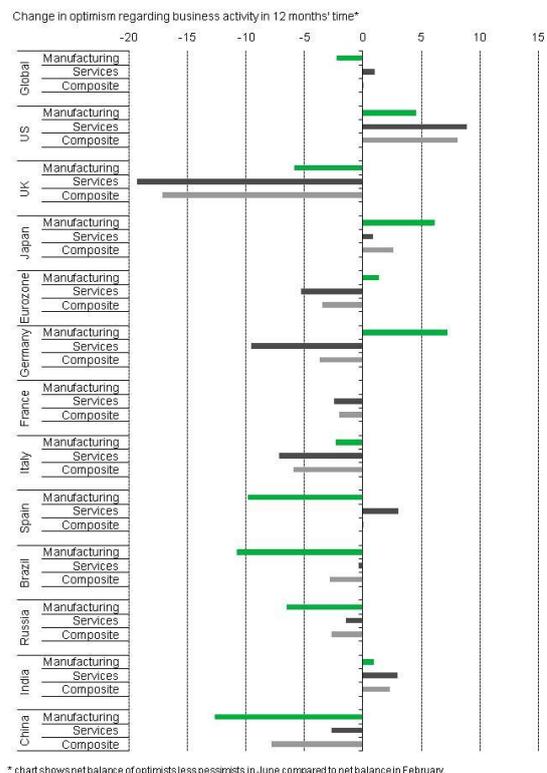
**-Ends-**

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



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

Annabel Fiddes, Economist  
Telephone +44-1491-461-010  
Email [annabel.fiddes@ihsmarkit.com](mailto:annabel.fiddes@ihsmarkit.com)

Joanna Vickers, Corporate Communications  
Telephone +44-207-260-2234  
Email [joanna.vickers@ihsmarkit.com](mailto: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 11 and 27.

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](http://www.ihsmarkit.com))**

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge 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 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

*IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners © 2017 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 Limited.**

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