

## News Release

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# Markit U.S. Business Outlook

## Growth outlook weakens, according to U.S. private sector firms

- Optimism regarding future activity slips to lowest since the survey began in 2009
- Job hiring intentions remain positive
- Capex plans hit post-crisis low
- Weaker corporate profit expectations

Data collected 13-29 October 2014

### Comment:

*“This survey is a timely reminder that the U.S. economy has not been immune from weakening global business conditions, with euro area woes and heightened geopolitical risk weighing on firms’ business outlook and job hiring intentions for 2015.*

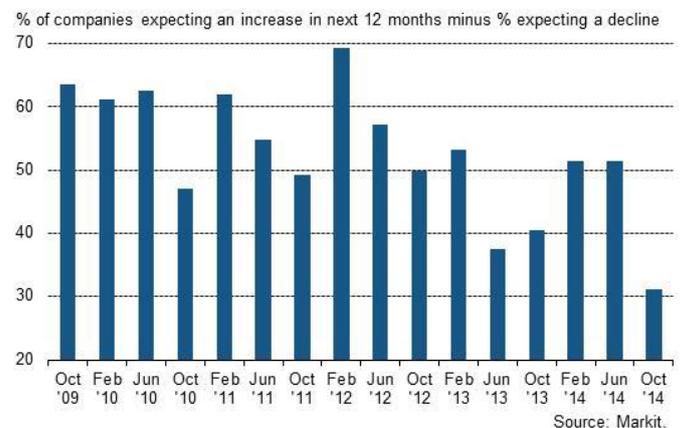
*“U.S. companies reported the lowest degree of confidence since the survey began in late 2009, reflecting domestic concerns and a subdued external demand environment.*

*“However, the U.S. remains a key growth engine across world markets, helped by supportive domestic economic fundamentals, and growth concerns are far less widespread than those in the euro area and some emerging markets. As a result, Markit’s latest Business Outlook survey suggests that U.S. economic outperformance may well narrow over the next 12 months, but it is unlikely to disappear entirely.*

*“Moreover, U.S. firms are especially bullish in their profit expectations relative to the survey’s global benchmark. Meanwhile, in a further boost to U.S. private sector companies, input cost pressures are expected to remain subdued and hiring intentions are still much firmer than other developed markets.”*

**Tim Moore, Senior Economist, Markit**

### US business activity future expectations



The Markit Business Outlook Survey, which looks at expectations for the year ahead across 650 US private sector companies, indicated that corporate sentiment eased to a post-crisis low in the latest outlook period.

At +31.2 percent, the net balance of firms expecting a rise in activity over the coming 12 months was down from +51.4 percent in the previous survey conducted in the summer. Moreover, the latest reading is the lowest seen since the survey began five years ago.

Nonetheless, U.S. firms indicated that the degree of positive sentiment towards future growth remained stronger than the global benchmark (+27.8 percent). The Republic of Ireland (+67.1 percent) and the UK (+55.0 percent) were the most optimistic nations, while the lowest confidence was recorded in Russia (+9.8 percent) and France (+12.6 percent).

Within the U.S. economy, manufacturers are much more upbeat about future output levels (+42.5 percent), than service providers (+28.9 percent).

## Weaker corporate profit expectations

In line with softer growth expectations, the latest outlook survey indicated that the net balance of U.S. firms anticipating a rise in profits (+27.2 percent) was down from that seen during the summer (+33.0 percent) and the lowest since the series began in October 2009.

According to survey respondents, factors likely to weigh on future business conditions included fragile global economic growth, heightened geopolitical risk, 'Obamacare', domestic policy uncertainty, and strong competition for new work.

Meanwhile, capex intentions also eased slightly since the summer. At +4.1 per cent, the latest reading hit a post-crisis low and remained slightly above the global benchmark (+7.6 percent).

## Job hiring intentions remain positive

U.S. private sector companies expect to add to their payroll numbers over the next 12 months, with the net balance at +15.2 percent.

However, the latest reading was down from +17.4 percent during the summer and only slightly above the global benchmark (+14.0 percent).

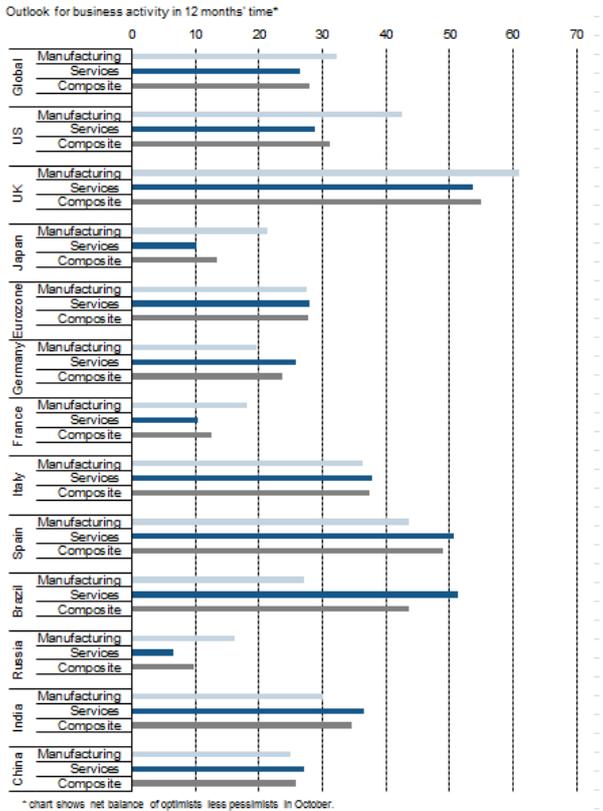
By sector, manufacturers are more positive about their job hiring plans for the forthcoming 12 months (+20.9 percent) than companies operating in the service economy (+14.1 percent).

## Cost pressures expected to moderate

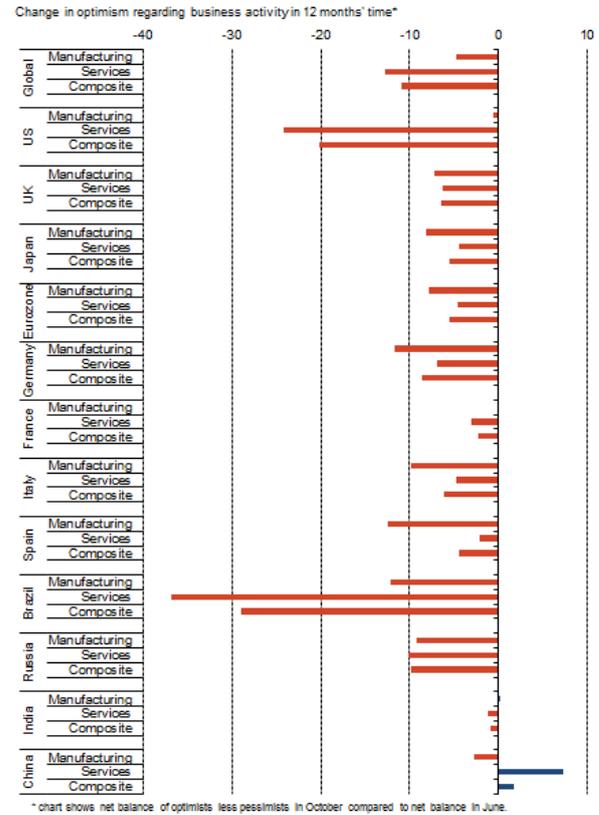
Input price inflation expectations among U.S. private sector companies moderated again during the latest outlook survey. This was highlighted by the net balance dropping to +3.5 percent, from +5.8 percent during the summer. The latest reading was a fresh post-crisis low, led by reduced inflation expectations at both manufacturing and services companies. Some firms cited lower commodity prices and subdued energy cost inflation.

Meanwhile, U.S. private sector firms are planning to increase their output charges at only a modest pace over the next 12 months. At +4.4 percent, the net balance was well below the global benchmark during the latest survey period (+9.8 percent).

### Business optimism in October

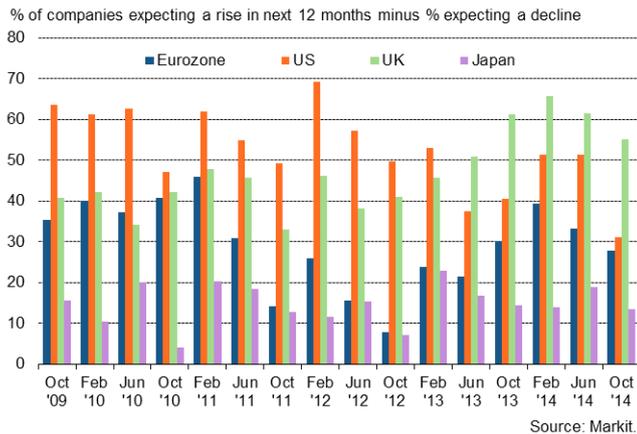


### How business activity expectations have changed since June

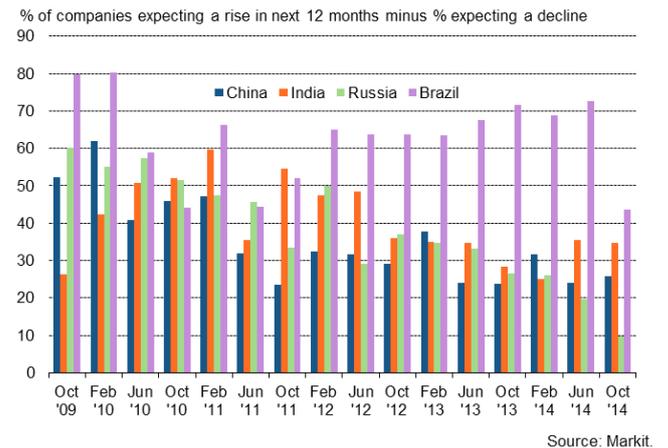


## Long-term trends in expected future business activity levels in key economies

### Key developed economies



### Key emerging markets



-Ends-

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

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**Notes to Editors:**

The Global Business Outlook Survey for worldwide manufacturing and services is produced by Markit Economics and is based on a survey of around 11,000 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 13 and 29.

The countries covered by the survey are the US, Japan, Germany, the UK, France, Italy, Spain, Ireland, Austria\*, the Netherlands\*, Greece\*, the Czech Republic\*, Poland\*, Brazil, Russia, India and China. (\*Manufacturing only)

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 Markit Economics 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 11,000 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 6,100 firms.

**About Markit**

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Markit Economics is a specialist compiler of business surveys and economic indices, including the Purchasing Managers' Index (PMI™) series, which is now available for 32 countries and key regions including the Euro zone and BRIC. The PMIs have become one of the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision-makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to [www.markit.com/economics](http://www.markit.com/economics).

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