

**EMBARGOED UNTIL: 19:01 (EDT) / 23:01 (UTC) July 16<sup>th</sup> 2017**

# IHS Markit US Business Outlook

## US optimism towards future output growth reaches three-year high

### Key findings:

- Confidence towards future business activity climbs to highest since June 2014
- Optimism surrounding profitability jumps to joint-strongest since February 2014
- Faster rise in employment forecast

Data collected June 12-27

The latest IHS Markit US Business Outlook survey signals a strong degree of optimism within the private sector regarding output for the year ahead. The net balance of firms reporting confidence towards future business activity rose from +27% in February to +35% in June. This is the highest reading since June 2014, with firms citing that sentiment was influenced by opportunities for expansion.

New product developments and expansion into new markets were cited as key opportunities for growth. However, difficulties in finding suitable candidates and increased competition were widely seen as possible threats to the outlook.

US firms in both the manufacturing and service sector also foresee improvements in new business potential. The net balance of respondents who expect the level of new orders to increase over the next 12 months is up from +24% in February to +34% in June. The greatest jump in sentiment is among service sector firms, with +33% predicting expansion in June compared to +22% in February.

In line with forecasts for new orders and business activity, US firms anticipate an increase in business revenues over the coming year. The net balance of firms anticipating a rise in business revenues improved from +15% in February to +32% in June. As a result, expectations around profits are the joint-strongest since February 2014 (net balance +33%).

### US business activity expectations



### Optimism around jobs growth highest in two years

Improved forecasts for output and new business led firms to scale up their hiring plans for the year ahead. The net balance of US firms that forecast greater employment was the highest since June 2015 (+17%), with both the manufacturing and service sectors signalling strong planned job creation. The greatest improvement in hiring plans is among service providers, with a net balance of +18% of respondents foreseeing an upturn, from just +8% in February. Despite being lower than the eurozone reading (+24%), the US net balance for employment is in line with the global average.

### Capex expectations highest in over three years

Optimism towards capital expenditure over the next year improved in June. A net balance of +13% of firms forecast higher capex, up from +3% in February, and the highest level since early-2014. Investment is set to rise at similarly strong rates in both manufacturing (+11%) and service (+14%) sectors.

## Input price inflation set to pick up

At +11%, the net balance of US private sector firms predicting a rise in input prices over the coming year is higher than the previous outlook survey period (+5%). The rate of input price inflation looks set to be slightly faster at manufacturing companies (+14%) than service providers (+10%). Output charge inflation is expected to remain muted, however, with only +6% of overall firms predicting an increase. This is well below the global and eurozone averages of +13% and +19% respectively.

### Comment:

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

*“According to the latest IHS Markit US Business Outlook survey, the private sector is at its most optimistic about future activity since June 2014. Expectations around business activity and new orders over the next 12 months strengthened markedly, with improved forecasts from both the manufacturing and service sectors.”*

*“Greater confidence was also seen regarding profitability and business revenue forecasts. Optimism around future profits rose to its joint-highest for over three years, and was above the global average for the first time since June 2016. Capex forecasts also showed a solid improvement.”*

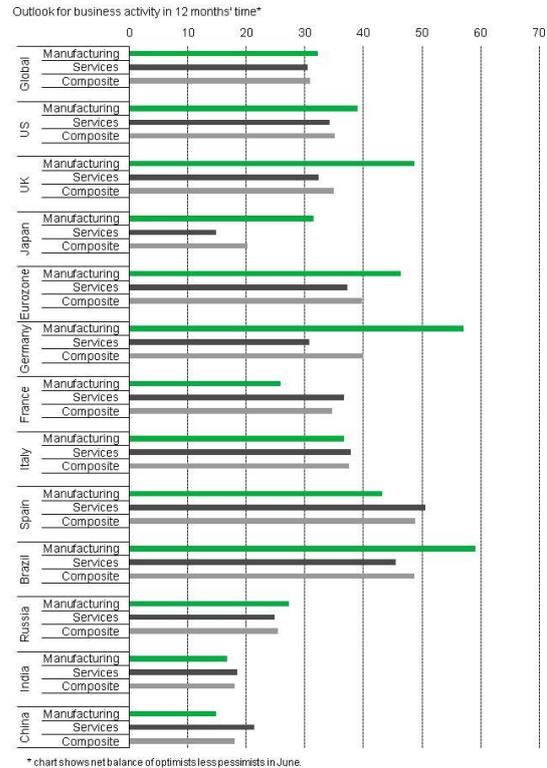
*“Hiring plans were also revised up in June, with firms expecting to raise staff numbers at the fastest rate in two years.”*

*“Price pressures over the coming year look set to remain relatively subdued, despite a slight pick up in input price inflation forecasts.”*

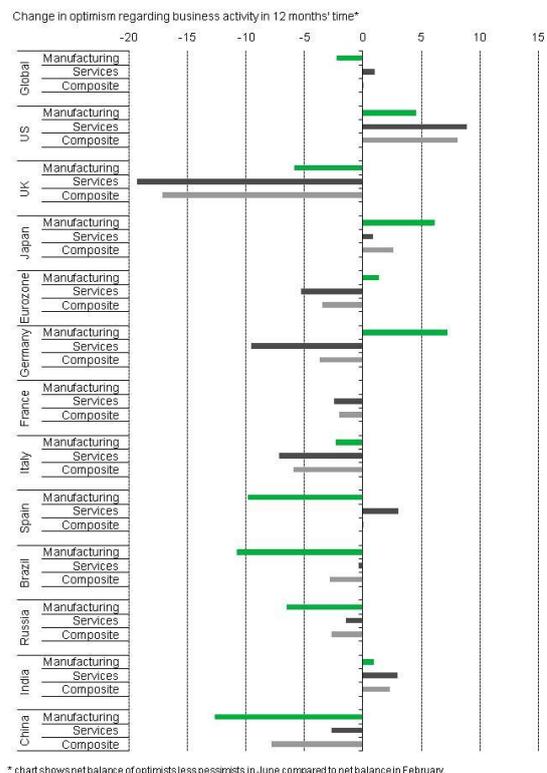
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Full data available on request from [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com)

## Business optimism in June



## How business activity expectations have changed since February



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

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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 June 12 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.

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