

# News Release

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## S&P Global US Business Outlook

### Business optimism slumps to lowest in two years

#### Key findings

Output expectations lowest since the early months of the pandemic in mid-2020

Non-staff cost inflation forecasts hit highest on record

Employment predictions sink to joint-lowest since October 2020

The S&P Global US Business Outlook survey highlighted weaker forecasts for output growth over the coming year in June, as the net balance of companies anticipating higher activity fell from +48% in February to +25%. Latest data signalled the lowest level of optimism regarding future output since the initial stages of the pandemic in mid-2020. Forecasts were revised down across both the manufacturing and service sectors, with the former registering the weakest expectations for output over the next 12 months. US firms were slightly more upbeat than the global average (+22%), however.

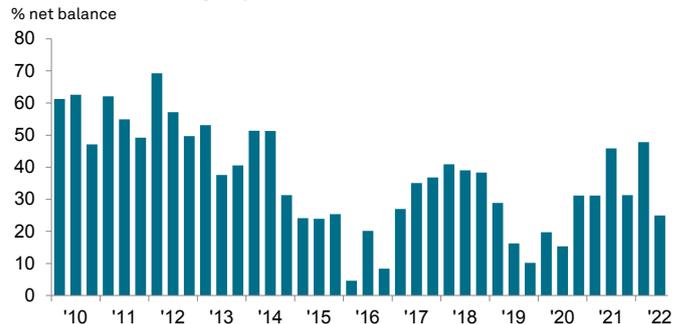
Threats to the outlook which weighed on expectations largely stemmed from inflationary pressures and hikes in supplier prices. Firms often expressed concerns regarding higher food, fuel, material and labor costs. Some mentioned that greater wage bills were unsustainable, especially for smaller companies with fewer resources to offer bonuses. Increased interest rates were also listed as a potential factor that could stymie growth, as disposable household income is reduced.

Opportunities for growth included the diversification of supply chains, with many firms reshoring to ensure stability in delivery times. Others noted that reduced competition, new products and access to new markets are expected to support increased output over the coming year.

#### Inflation expectations remain marked

Private sector firms in the US signalled historically marked expectations for inflation as staff and non-

US Business Activity expectations



Source: S&P Global.  
Data were collected 13-27 June 2022.

#### Comment

Commenting on the US Business Outlook survey data, Siân Jones, Senior Economist at S&P Global Market Intelligence, said:

*"US private sector firms signalled a drop in positive sentiment regarding the outlook for output over the coming 12 months, as inflationary pressures weighed heavily on confidence. Higher input and staff costs are expected to hamper growth in employment, investment spending and profitability across the private sector."*

*"Although US firms were more confident of a rise in output than the global average, recession concerns, the impact of higher interest rates and inflation on customer purchasing power and a challenging labor market all dampened expectations. Output forecasts were the lowest since the initial phase of the pandemic in mid-2020, with employment predictions dropping to the joint-weakest since October 2020."*

*"Manufacturing firms were the least upbeat across the board, with the net balance of those anticipating greater output charges the only indicator not to decrease since February, and to post a stronger reading than that seen in the service sector. At the same time, goods producers expressed pessimism regarding profitability for the first time in almost 12 years of data collection."*

staff costs are predicted to rise further over the coming year. The net balance of firms expecting higher non-staff costs increased from February to the highest on record (+38%), which was largely driven by upward revisions at service providers.

Companies also predicted further upticks in staff costs, despite the net balance slipping slightly from February's record high. Notably, the net balance of firms anticipating higher staff costs over the next year was higher than that seen globally (net balance of +51% versus +42%).

Meanwhile, the net balance of firms expecting greater output prices fell to the lowest for a year (+47%), but was among the highest of the 12 countries for which comparable data are available, behind only the UK and Ireland (both with net balances of +59%).

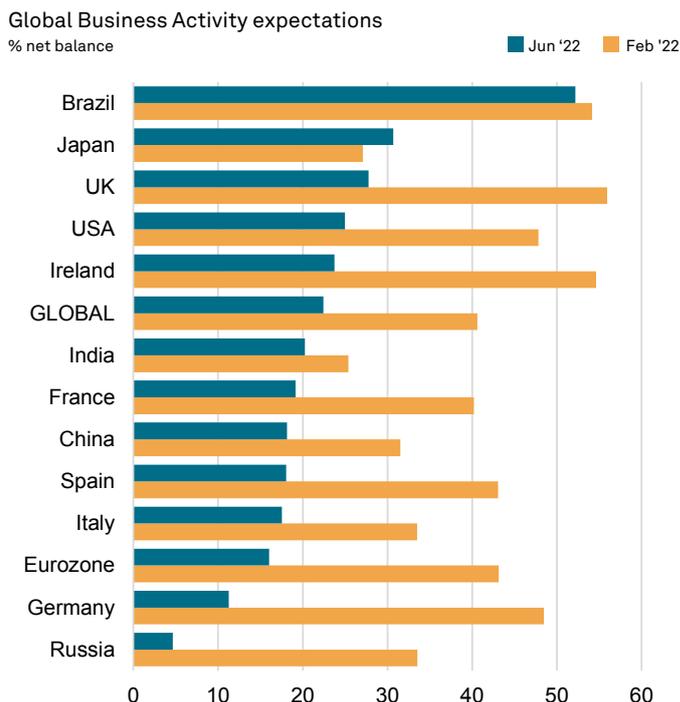
### Employment forecasts sink to joint-lowest since October 2020

Hiring intentions among US private sector firms weakened during June, as the net balance of companies forecasting greater employment fell from February's recent peak to the joint-lowest since October 2020. Challenges finding suitable candidates and hikes in the cost of employing additional staff reportedly impacted firms' decisions to increase workforce numbers.

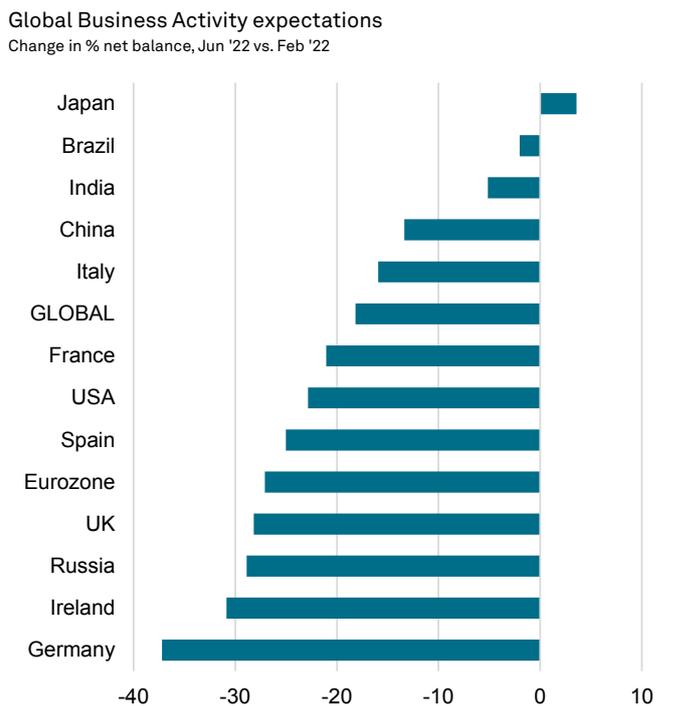
At the same time, companies were less upbeat regarding the outlook for investment over the next year in June. This was especially true at manufacturing firms, where no change in capital expenditure or R&D (research and development) spending is anticipated. Any optimism in greater investment spending stemmed from service sector firms who remained confident of a rise in both areas.

### Profitability expectations drop to joint-lowest on record

In line with elevated forecasts for staff and non-staff costs, US private sector firms anticipated pressure on profits over the coming year in June. The net balance of companies expecting higher profitability remained positive, but sank to the joint-lowest in the survey history (on a par with February 2016). In fact, manufacturing firms anticipated reduced profitability for the first time in the series history (since October 2009).



Source: S&P Global.



Source: S&P Global.

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

## Survey methodology

The Global Business Outlook Survey for worldwide manufacturing and services is produced by S&P Global 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.

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 S&P Global 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 8,000 firms.

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