

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 0945 (EDT) / 1345 (UTC) 24<sup>th</sup> October 2019**

## IHS Markit Flash U.S. Composite PMI™

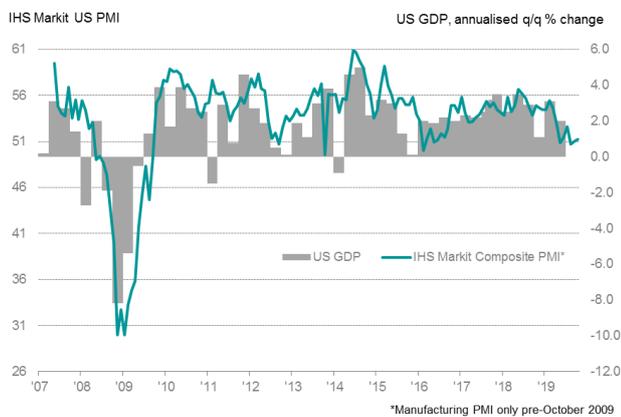
### Modest rate of business activity growth sustained in October

**Key findings:**

- Flash U.S. Composite Output Index at 51.2 (51.0 in September). 3-month high.
- Flash U.S. Services Business Activity Index at 51.0 (50.9 in September). 3-month high.
- Flash U.S. Manufacturing PMI at 51.5 (51.1 in September). 6-month high.
- Flash U.S. Manufacturing Output Index at 52.7 (51.8 in September). 6-month high.

Data collected October 11-23

#### IHS Markit Composite PMI and U.S. GDP



Sources: IHS Markit, U.S. Bureau of Economic Analysis.

Flash PMI data for October indicated a marginal increase in the rate of growth of business activity, supported by the fastest expansion of manufacturing production for six months. Growth of service sector activity also picked up, though rates of expansion in both sectors remained subdued.

Adjusted for seasonal influences, the **IHS Markit Flash U.S. Composite PMI Output Index** reached 51.2 in October, up from 51.0 during September, to signal the sharpest increase in business activity since July. The latest reading pointed to another gradual recovery in output growth from the three-

and-a-half year low seen in August.

The composite index is based on original survey data from IHS Markit's PMI surveys of both services and manufacturing.

Despite a slightly stronger rate of business activity growth, the forward-looking survey indicators remained subdued in October. New work rose at the slowest pace since this index began in October 2009, which reflected stagnating order books in the service economy. In contrast, manufacturing companies recorded the sharpest increase in new business volumes since April.

Meanwhile, backlogs of work across the private sector economy fell for the third month running in October, reflecting the near-stalling of inflows of new work.

Employment numbers also fell for a second month, declining at the steepest rate since December 2009, which survey respondents often attributed to more cautious hiring strategies and a lack of new work to replace completed projects.

Average input costs increased for the first time since July, led by a return to higher input prices in the service sector. Manufacturers reported a softer rise in their operating expenses, with some firms attributing this to lower steel prices.

Business expectations continued to edge up from the recent low in August, with optimism the highest for four months. Survey respondents mostly commented on hopes of improved domestic economic conditions.

#### IHS Markit Flash U.S. Services PMI™

The seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index** registered 51.0 in October, up fractionally from 50.9 in September and the highest reading since July.

Service providers indicated that new business

intakes stagnated in October, which ended a ten-year period of sustained expansion. Anecdotal evidence pointed to subdued demand conditions and weaker business investment spending.

Staffing numbers decreased for the second month running in October. Although only modest, the rate of decline in employment levels was the largest recorded by the survey since December 2009.

Meanwhile, operating expenses increased for the first time since July. There were widespread reports from service providers that trade tariffs had led to price rises among suppliers.

### IHS Markit Flash U.S. Manufacturing PMI™

Manufacturing sector business conditions continued to recover in October, as signalled by a rise in the **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**<sup>1</sup> to 51.5, up from 51.1 in September. The rate of improvement was the fastest for six months, helped by stronger growth of output, new orders and employment.

October data also pointed to an increase in new export sales for the first time in four months. Stronger demand encouraged a marginal rebound in input buying, but inventory volumes were depleted again.

Meanwhile, factory gate charges decreased for the first time since September 2016. Manufacturers commented on softer cost pressures and efforts to stimulate sales by price discounting.

Business confidence in the manufacturing sector picked up for the second month running and was the highest since June. A number of firms cited stronger order books and hopes of a recovery in global trade conditions. Comments from manufacturers in the automotive sector were the main exception, with respondents often noting concerns about the demand outlook in domestic and export markets.

### Comment

Commenting on the flash PMI data, **Chris Williamson, Chief Business Economist** at IHS Markit, said:

*“Despite business activity lifting from recent lows, the survey data point to annualized GDP growth of just under 1.5% at the start of the fourth quarter, and a near-stalling of new order growth to the lowest for a decade suggests that risks are tilted toward growth remaining below trend in coming months.*

*“An increased rate of job culling adds to the gloomy picture, with jobs being lost among surveyed companies at a rate not seen since 2009. At current levels, the survey’s employment gauge indicates non-farm payroll growth slipping below 100,000.*

*“The overall subdued picture reflects a spreading of economic weakness from manufacturing to services, but encouragingly we are now seeing some signs of manufacturing pulling out of its downturn, in part driven by a return to growth for exports and improved sentiment about the year ahead, linked to hopes that trade war tensions are starting to ease.*

*“If manufacturing can continue to gain momentum this should hopefully feed through to stronger jobs growth and an improved service sector performance, leading to better GDP growth, but it remains too early to determine whether the economy has truly turned a corner.”*

-Ends-

<sup>1</sup> Please note that IHS Markit's PMI data, flash and final, are derived from information collected by IHS Markit from a different panel of companies to those that participate in the ISM Report on Business and the ISM Non-Manufacturing Report on Business. No information from the ISM survey is used in the production of IHS Markit's PMI.

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**Note to Editors:**

Final October data are published on November 1 for manufacturing and November 5 for services and composite indicators.

The Composite Output PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The Services Business Activity Index is the direct equivalent of the Manufacturing Output Index, based on the survey question "Is the level of business activity at your company higher, the same or lower than one month ago?"

The Manufacturing PMI is a composite index based on a weighted combination of the following five survey variables (weights shown in brackets): new orders (0.3); output (0.25); employment (0.2); suppliers' delivery times (0.15); stocks of materials purchased (0.1). The delivery times index is inverted. The Manufacturing Output Index is based on the survey question "Is the level of production/output at your company higher, the same or lower than one month ago?"

The U.S. Services PMI™ (*Purchasing Managers' Index*™) is produced by IHS Markit and is based on original survey data collected from a representative panel of over 400 companies based in the U.S. service sector. IHS Markit began collecting monthly PMI data in the U.S. service sector in October 2009. The flash estimate is typically based on approximately 85%–90% of total PMI survey responses each month and is designed to provide an accurate advance indication of the final PMI data.

The IHS Markit U.S. Services PMI complements the IHS Markit U.S. Manufacturing PMI and enables the production of the IHS Markit U.S. Composite PMI which tracks business trends across both the manufacturing and service sectors, based on original survey data collected from a representative panel of over 1,000 companies.

IHS Markit began collecting monthly *Purchasing Managers' Index*™ (PMI™) data in the U.S. in April 2004, initially from a panel of manufacturers in the U.S. electronics goods producing sector. In May 2007, IHS Markit's U.S. PMI research was extended out to cover producers of metal goods. In October 2009, IHS Markit's U.S. Manufacturing PMI survey panel was extended further to cover all areas of U.S. manufacturing activity. Back data for IHS Markit's U.S. Manufacturing PMI between May 2007 and September 2009 are an aggregation of data collected from producers of electronic goods and metal goods producers, while data from October 2009 are based on data collected from a panel representing the entire U.S. manufacturing economy. IHS Markit's total U.S. Manufacturing PMI survey panel comprises over 600 companies.

The panel is stratified by North American Industrial Classification System (NAICS) group and company size, based on industry contribution to U.S. GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'. Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and 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 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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