News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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IHS Markit Flash U.S. PMI™

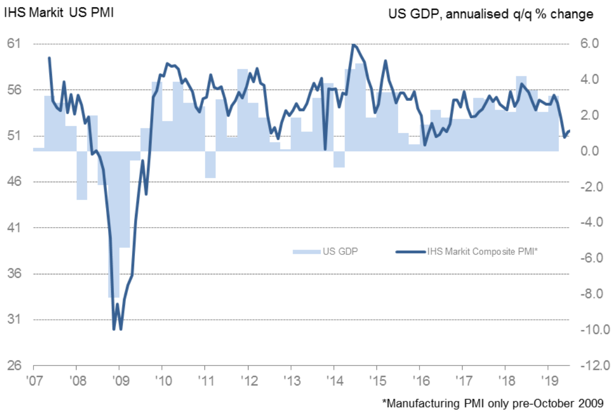
Stronger service sector growth helps offset manufacturing downturn in July

Key findings:

- Flash U.S. Composite Output Index at 51.6 (51.5 in June). 3-month high.
- Flash U.S. Services Business Activity Index at 52.2 (51.5 in June). 3-month high.
- Flash U.S. Manufacturing PMI at 50.0 (50.6 in June). 118-month low.
- Flash U.S. Manufacturing Output Index at 48.9 (51.2 in June). 119-month low.

Data collected July 12-23

IHS Markit Composite PMI and U.S. GDP



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

At 51.6 in July, the seasonally adjusted **IHS Markit Flash U.S. Composite PMI Output Index** edged up from 51.5 in June and remained higher than the three-year low recorded during May. However, the latest reading signalled only a modest expansion of private sector output.

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

Service sector companies recorded the strongest rise in business activity since April. This helped to offset a downturn in manufacturing production in July. Although only marginal, the reduction in output across the goods producing sector was the sharpest for almost ten years.

In line with the trend for business activity, latest data indicated that new business growth gained momentum in July and was the fastest for three months. Improved demand was largely confined to the service economy, which survey respondents linked to resilient consumer spending.

Despite an improvement in order books, the rate of private sector job creation weakened to a 27-month low in July. Softer employment growth appeared to reflect caution about the near-term business outlook, with the latest survey revealing the lowest degree of optimism since this index began in July 2012.

Inflationary pressures remained subdued, with cost burdens rising only marginally during the latest survey period. Meanwhile, service providers reported price discounting in July, which contrasted with a sharper rise in factory gate charges across the manufacturing sector.

IHS Markit U.S. Services PMI™

The headline seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index** picked up to 52.2 in July, from 51.5 in June, to signal the strongest rise in service sector output for three months. That said, the rate of expansion was only modest and still much softer than seen in the first quarter of 2019.

Growth of business activity was supported by price discounting in July, with average charges reduced to the greatest extent since February 2016.

Business expectations for the next 12 months dropped sharply across the service sector in July. Moreover, the latest reading was the lowest since this index began in October 2009.

IHS Markit U.S. Manufacturing PMI™

Adjusted for seasonal influences, the **IHS Markit Flash U.S. Manufacturing *Purchasing Managers' Index*™ (*PMI*™)**[1] registered 50.0 in July, down from 50.6 in June and the lowest since September 2009. The latest reading was in line with the neutral 50.0 threshold and therefore signalled stagnant manufacturing business conditions.

The negative influences on the headline PMI were lower production volumes, a fall in employment and reduced stocks of purchases. Production levels dropped only slightly, but the rate of decline was the greatest since August 2009. Moreover, the marginal decrease in staffing levels ended a six-year period of sustained job creation across the manufacturing sector.

Survey respondents noted that a downturn in the automotive sector and heightened global economic uncertainty were factors behind the loss of momentum for the manufacturing sector in July. In some cases, goods producers simply commented on a cyclical downturn in sales following elevated growth rates in 2018.

Latest data revealed that export sales were particularly subdued, with new work from abroad falling at the fastest pace since April 2016. However, domestic demand continued to rise, as signalled by a sustained improvement in total new order books.

Marginal increases in new business received by manufacturing companies have been achieved during each of the past two months, following a decline in May.

Comment

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

"The survey data indicated that the economy started the third quarter on a disappointingly soft footing. The PMIs for manufacturing and services collectively point to annualized GDP growth of just 1.6%, up only very marginally from a lacklustre 1.5% indicated by the survey in the second quarter.

"The overall picture of modest growth conceals a two-speed economy, with steady service sector growth masking a deepening downturn in the manufacturing sector. The survey's gauge of factory production has slumped to its lowest since August 2009, and indicates that manufacturing output is falling at a quarterly rate of over 1%, led by an increasing rate of loss of export sales.

"The survey's employment gauge has meanwhile fallen to a level consistent with 130,000 jobs being added in July, down from an average of 200,000, in the first quarter and 150,000 in the second quarter, as firm became increasingly cautious in relation to hiring. Manufacturers are shedding workers at the fastest rate since 2009 and service sector job creation is now down to its lowest since April 2017.

"Future prospects have also darkened to the gloomiest since comparable data were first available in 2012, suggesting that companies may look to tighten their belts further in coming months, dampening spending, investment and jobs growth. Geopolitical worries, trade wars and increasingly widespread expectations of slower economic growth at home and internationally have all pulled business optimism lower."

-Ends-

[1] 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 July data are published on August 1 for manufacturing and August 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 indictors 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.

About IHS Markit (www.ihsmarkit.com)
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.

About PMI
Purchasing Managers' Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are 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 https://ihsmarkit.com/products/pmi.html.