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# IHS Markit U.S. Services PMI™

Including IHS Markit U.S. Composite PMI™

## Sharpest increase in activity since March 2015

### Key findings

Substantial upturns in output and new business

Employment rises at fastest pace in survey history

Price indices at survey highs as cost pressures intensify

Data were collected 12-26 November 2020

November PMI™ data signalled a marked increase in business activity across the U.S. service sector. The upturns in output and new business accelerated substantially to the fastest since March 2015 and April 2018, respectively. As a result, firms took on extra staff at the steepest rate on record, as pressure on capacity accumulated. Business expectations also strengthened to the most buoyant since January 2014.

Meanwhile, input prices rose at the quickest pace since data collection began in October 2009, while firms also raised their output charges at the fastest rate for more than a decade in an effort to pass on steeper cost burdens to customers.

The seasonally adjusted final IHS Markit US Services PMI Business Activity Index registered 58.4 in November, up from 56.9 in October. The latest reading was higher than the earlier 'flash' estimate (57.7) and signalled the sharpest expansion for over five-and-a-half years. Growth of business activity was often linked to greater new order inflows and the release of pent-up demand, as clients became less hesitant to make purchases.

Contributing to the marked upturn in output was an accelerated rise in new business at service providers in November. The rate of growth was the fastest since April 2018. Anecdotal evidence commonly stated that the rise was due to greater demand from new and existing customers.

That said, new export orders increased at only a marginal pace. The latest expansion in foreign demand was the slowest since July and eased once again from August's survey-record high. A number of panellists suggested that ongoing travel restrictions due to the coronavirus disease 2019 (COVID-19) pandemic made international business challenging.

Services Business Activity Index  
sa, >50 = growth since previous month



Sources: IHS Markit.

In line with greater client demand, firms increased their workforce numbers to a greater extent in November. The expansion in employment was the sharpest since data collection began in October 2009. Some firms stated that employees previously let go due to the pandemic had been rehired.

At the same time, backlogs of work rose modestly, as COVID-19 restrictions on businesses led to an accumulation of incomplete work.

Service providers registered a substantial rise in input prices during November. Anecdotal evidence attributed the marked increase to supplier price hikes and greater costs for PPE. The rate of input price inflation was the quickest on record.

Firms sought to pass on higher input costs to clients through an accelerated increase in selling prices. The rise in output charges was the sharpest since the series began over 11 years ago.

Business expectations strengthened in November, as service providers were boosted by a faster expansion in new business and hopes of a vaccine. The degree of confidence was the highest since January 2014 and well above the long-run series average.

## IHS Markit U.S. Composite PMI®

### Fastest expansion in private sector output since March 2015

Private sector firms registered a marked increase in business activity during November.

The IHS Markit Composite PMI Output Index\* posted 58.6 in November, up from 56.3 in October, as manufacturing and service sector firms both recorded faster expansions in output. The rate of growth was the sharpest since March 2015.

The upturn in output was broadly driven by stronger client demand. Service providers and goods producers signalled the quickest expansions of new business since April and May 2018 respectively. The strong rise in total sales contrasted with only a fractional increase in new export orders, despite a renewed upturn in international sales at manufacturers.

Private sector employment rose at the fastest pace since this index began in October 2009, amid greater pressure on service sector capacity in particular during November.

Meanwhile, companies registered the steepest increases in both input prices and output charges since data collection began in October 2009. Manufacturers and service providers sought to partially pass on markedly higher costs to clients through greater selling prices.

Finally, business expectations strengthened to the highest since May 2014 amid vaccine hopes and signs of pent-up demand being released.

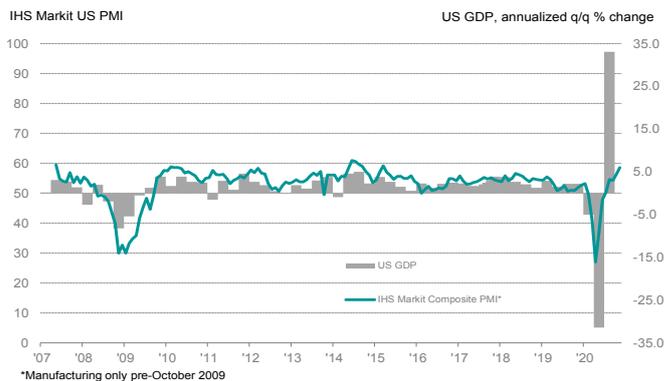
*\*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The U.S. Composite Output Index is a weighted average of the U.S. Manufacturing Output Index and the U.S. Services Business Activity Index.*

#### Services Business Activity Index Manufacturing Output Index

sa, >50 = growth since previous month



Source: IHS Markit.



\*Manufacturing only pre-October 2009

Sources: IHS Markit, Bureau of Economic Analysis.

### Comment

*Commenting on the latest survey results, Chris Williamson, Chief Business Economist at IHS Markit, said:*

*“November saw US business activity surge higher at a rate not seen since early-2015 as companies enjoyed sharply rising demand for goods and services. Confidence has picked up considerably, with encouraging news on vaccines coinciding with reduced political uncertainty following the presidential election, hopes of greater stimulus spending and fresh stock market highs. Optimism about the future is running at its highest since early-2014.*

*“The recent improvement in demand and the brightening outlook encouraged firms to take on extra staff at a rate not previously seen since the survey began in 2009, underscoring how increased optimism is fuelling investment and expansion.*

*“Pricing power is also being regained, with firms pushing up average charges for goods and services at a rate not seen for at least a decade, boding well for stronger profits growth.”*

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### Methodology

The IHS Markit U.S. Services PMI® is compiled by IHS Markit from responses to questionnaires sent to a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### Survey dates and history

November data were collected 12-26 November 2020.

Data collection began in October 2009.

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### Flash vs. final data

Flash services data were calculated from 85% of final responses. Flash composite data were calculated from 86% of final responses.

Since October 2009 the average difference between final and flash Services Business Activity Index values is 0.1 (0.4 in absolute terms). Since October 2009 the average difference between final and flash Composite Output Index values is 0.1 (0.4 in absolute terms).

### About IHS Markit

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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### 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.

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