

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 0945 (EST) / 1445 (UTC) 21<sup>st</sup> February 2020**

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

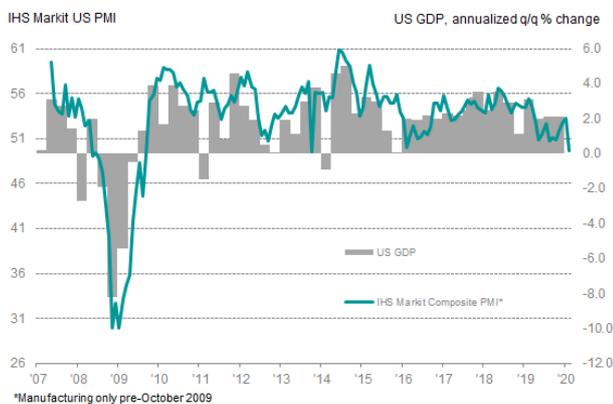
### Output contracts for the first time since October 2013

**Key findings:**

- Flash U.S. Composite Output Index at 49.6 (53.3 in January). 76-month low.
- Flash U.S. Services Business Activity Index at 49.4 (53.4 in January). 76-month low.
- Flash U.S. Manufacturing PMI at 50.8 (51.9 in January). 6-month low.
- Flash U.S. Manufacturing Output Index at 50.6 (52.4 in January). 7-month low.

Data collected February 12-20

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



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

Private sector firms across the U.S. signalled a slight decline in business activity in February. The overall contraction was driven by a notable worsening of service sector performance, where output fell for the first time in four years.

Adjusted for seasonal factors, the **IHS Markit Flash U.S. Composite PMI Output Index** posted 49.6 in February, down from 53.3 in the opening month of 2020. Although only fractional, the decrease in business activity brought to an end a near-four year sequence of expansion following a contraction in service sector output and a slower rise in

manufacturing production amid supplier delays following the outbreak of coronavirus.

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

New orders received by private sector firms fell for the first time since data collection began in October 2009. The fractional decline in new business stemmed from weak client demand across the service sector and the slowest rise in manufacturing new order volumes for nine months. Private sector companies continued to struggle to attract foreign client demand as new export orders fell for the second month running.

Employment continued to increase midway through the first quarter, albeit at the slowest pace in the current four-month sequence of growth. Manufacturers and service providers alike registered a rise in workforce numbers, although the pace of job creation eased in both monitored sectors.

Inflationary pressures softened in February. The rate of increase in cost burdens eased to the slowest since last October amid reports of lower demand for inputs. As a result, private sector companies raised their output charges at the softest pace for three months.

Business confidence strengthened to an eight-month high in February but remained historically subdued as firms highlighted ongoing global uncertainty and the outbreak of coronavirus.

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

The seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index** registered 49.4 in February, down from 53.4 in January. The latest data signalled the first decline in business activity for four years and a notable

turnaround from the solid output expansion seen in the opening month of the year.

The contraction in output was in part driven by a renewed decrease in new business across the service sector. Although only fractional overall, the rate of decline was the strongest in the series history (since October 2009). New export orders also fell as firms reported greater hesitancy among clients to place orders amid speculation regarding coronavirus.

Pressure on capacity was reduced in February, as the level of outstanding business fell. As a result, services companies increased their workforce numbers at a softer rate. That said, business confidence reached the strongest since last June.

At the same time, input prices rose at the slowest pace in the current five-month sequence of inflation and was only slight overall. In an effort to remain competitive, firms raised their output charges only fractionally.

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

Goods producers noted only a slight improvement in operating conditions in February, as signalled by a fall in the **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**<sup>1</sup> from 51.9 to 50.8 midway through the first quarter. The improvement in the health of the manufacturing sector was the slowest since last August.

The lower headline index reading was partially driven by slower expansions in production and new orders. The upturn in output was the softest since last July, with firms stating that weak demand conditions and delays in deliveries following the outbreak of the coronavirus in China had dented production growth.

Although output expectations improved and reached a ten-month high, business confidence remained relatively muted as firms suggested uncertainty surrounding the impact of coronavirus had weighed on optimism and could further impact production.

Meanwhile, inflationary pressures remained historically subdued midway through the first quarter amid a slower rise in cost burdens. Firms only raised their charges fractionally as they sought to remain competitive and boost sales.

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<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.

### Comment

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

*"With the exception of the government-shutdown of 2013, US business activity contracted for the first time since the global financial crisis in February. Weakness was primarily seen in the service sector, where the first drop in activity for four years was reported, but manufacturing production also ground almost to a halt due to a near-stalling of orders.*

*"Total new orders fell for the first time in over a decade. The deterioration in was in part linked to the coronavirus outbreak, manifesting itself in weakened demand across sectors such as travel and tourism, as well as via falling exports and supply chain disruptions. However, companies also reported increased caution in respect to spending due to worries about a wider economic slowdown and uncertainty ahead of the presidential election later this year.*

*"The survey data are consistent with GDP growth slowing from just above 2% in January to a crawl of just 0.6% in February. However, the February survey also saw a notable upturn in business sentiment about the year ahead, reflecting widespread optimism that the current slowdown will prove short-lived."*

-Ends-

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### Note to Editors:

Final February data are published on March 2 for manufacturing and March 4 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).

### About IHS Markit ([www.ihsmarkit.com](http://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.

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### About PMI

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