

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 0945 (EST) / 1445 (UTC) 16<sup>th</sup> December 2019**

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

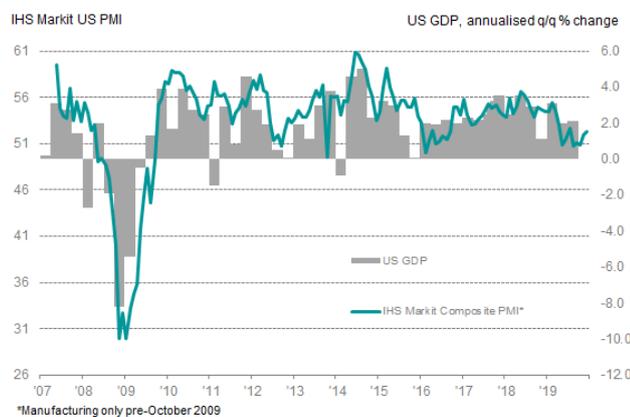
### Business activity growth accelerates to five-month high

**Key findings:**

- Flash U.S. Composite Output Index at 52.2 (52.0 in November). 5-month high.
- Flash U.S. Services Business Activity Index at 52.2 (51.6 in November). 5-month high.
- Flash U.S. Manufacturing PMI at 52.5 (52.6 in November). 2-month low.
- Flash U.S. Manufacturing Output Index at 52.4 (53.7 in November). 2-month low.

Data collected December 5-13

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



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

Private sector firms across the U.S. registered a slightly stronger expansion in business activity at the end of 2019. The upturn quickened to a five-month high as service sector growth accelerated and manufacturing conditions continued to improve.

Adjusted for seasonal factors, the **IHS Markit Flash U.S. Composite PMI Output Index** posted 52.2 in December, up from 52.0 in November, to indicate the quickest rise in output since July. Nonetheless, the rate of growth was below the series trend and only moderate overall.

The composite index is based on original survey

data from IHS Markit's PMI surveys of both services and manufacturing.

The increase in new business strengthened slightly in December, with service providers noting a second successive monthly upturn in demand. The expansion was also supported by a further solid rise in manufacturing new orders, albeit one that was slower than that seen in November. At the composite level, the rate of growth in private sector new business picked up to a five-month high.

Subsequently, firms increased their workforce numbers at a faster pace at the end of the year. Although employment growth softened among manufacturers, services companies recorded a quicker uptick in hiring due to greater client demand and larger workloads. Despite being only marginal, the overall rate of job creation was the quickest since July.

Indicative of a reduction in pressure on capacity, backlogs of work at private sector companies rose at a softer pace, increasing only fractionally overall.

Input prices increased at a sharper rate in December. Although historically subdued, the pace of cost inflation picked up across both monitored sectors. Notably, goods producers recorded the fastest rise in cost burdens since March. Firms also increased their output charges, with selling prices rising at the quickest rate since February.

Encouragingly, business confidence picked up among private sector firms, with the level of optimism rising to the highest since June.

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

The seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index** registered 52.2 in December, up from 51.6 in November. Though only modest, the figure signalled the fastest rise in service sector output

since July.

Although the increase in new business remained historically muted, the rate of expansion quickened, with companies indicating the fastest rate of new order growth for five months. Firms also registered a renewed rise in export orders at the end of 2019, following four consecutive monthly declines.

Consequently, employment rose marginally for the second month running as firms expanded their staffing numbers to meet greater workloads.

Stronger new business growth also resulted in an uptick in output expectations among service providers. The degree of confidence was the most robust since June.

Meanwhile, the rate of input price inflation remained relatively subdued in December. Nonetheless, the pace of charge inflation outpaced the rise in cost burdens.

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

Manufacturers noted a broadly similar expansion in December as was seen in November, as signalled by only a slight dip in the **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI)™**<sup>1</sup> to 52.5 from 52.6 in November. Nevertheless, the overall improvement in operating conditions was one of the strongest in 2019.

Manufacturing sector growth was supported by further expansions in output and new orders, with the upturn in the latter remaining solid overall. Although rates of increase eased in each case, growth remained more robust than those seen earlier in the year.

Goods producers continued to expand their workforce numbers amid efforts to reduce pressure on capacity. At the same time, output expectations improved to their strongest since June.

Meanwhile, cost burdens rose at the fastest pace since March as firms noted ongoing pressure from suppliers due to tariffs. However, manufacturers increased their factory gate charges at a sharper pace in December as they sought to partially pass-on higher costs to clients.

### Comment

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

*“The surveys bring welcome signs of the economy continuing to regain growth momentum as 2019 draws to a close, with the outlook also brightening to fuel hopes of a strong start to 2020. Business activity, order book and jobs growth all accelerated to five-month highs in December, buoyed by rising domestic sales and further signs of renewed life in export orders.*

*“December’s expansion was led by an improved performance of the vast services sector, accompanied by another month of steady manufacturing growth. Encouragingly, expectations for business activity in the year ahead lifted higher in both sectors to reach the highest since June to suggest the expansion will continue to gain momentum as we head into the New Year. Optimism reflected reduced fears over trade wars and more favorable financial conditions.*

*“The brighter news needs to be caveated, as the overall rate of economic expansion signalled by the surveys remains well below that seen this time last year, commensurate with GDP rising at an annualised rate of just over 1.5%. Importantly, however, the welcome signs of improvement help to ward off recession risks and should keep the Fed on hold in the coming months. The upward trajectory in the surveys support our expectations that the US economy is on course to see another year of above-potential GDP growth of approximately 2.2% in 2020.”*

-Ends-

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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.

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**Note to Editors:**

Final December data are published on January 2 for manufacturing and January 6 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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**About PMI**

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