

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

### Recovery gains momentum amid sustained upturn in demand

#### Key findings:

- Flash U.S. Composite Output Index at 55.5 (54.3 in September). 20-month high.
- Flash U.S. Services Business Activity Index at 56.0 (54.6 in September). 20-month high.
- Flash U.S. Manufacturing PMI at 53.3 (53.2 in September). 21-month high.
- Flash U.S. Manufacturing Output Index at 53.0 (53.1 in September). 2-month low.

Data collected October 12-22

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



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

U.S. output growth regained growth momentum in October, as business activity rose at the fastest rate for 20 months and business optimism improved markedly. The upturn was largely driven by service providers, though manufacturing firms also reported a further solid increase in production.

Adjusted for seasonal factors, the **IHS Markit Flash U.S. Composite PMI Output Index** posted 55.5 at the start of the final quarter of 2020, up from 54.3 in September and signalling the fastest increase in private sector business activity since February 2019. Service sector firms recorded a marked and accelerated rate of expansion in output.

The composite index is based on original survey data from IHS Markit's PMI surveys of both services and manufacturing. The quicker pace of increase in activity signalled the return of growth momentum, following a slight dip in the pace of expansion at the end of the third quarter.

Although the upturn in activity quickened, the pace of new business growth eased slightly in October. Slower expansions in new orders were seen among manufacturers and service providers, with some firms stating that the ongoing impact of the coronavirus disease 2019 (COVID-19) pandemic had weighed on demand. Other companies noted that a number of clients were holding back on placing orders until after the upcoming presidential election. Nonetheless, the rise in new business remained solid overall and was the second-fastest since March 2019.

Meanwhile, the increase in foreign client demand slowed notably, as manufacturers registered a renewed contraction in new export orders.

With the rate of growth in activity outpacing that of new orders, firms recorded a slower accumulation in backlogs of work. As a result of this reduced pressure on capacity, companies expanded their workforce numbers at a slower rate than that seen in September.

On the price front, input costs rose strongly in October, albeit at the slowest pace for four months. The softer rise was driven by service providers, as manufacturers indicated a faster increase in cost burdens. At the same time, the rate of output charge inflation eased, as firms sought to boost sales by price discounting and struggled to pass on higher costs to clients.

Finally, business confidence picked up notably

across the manufacturing and service sectors, signalling the greatest degree of confidence since May 2018. Greater optimism regarding the outlook for output over the coming year stemmed from expectations of sustained client demand, political uncertainty easing after the election and hopes of an end to COVID-19 related restrictions at some point over the coming year.

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

The seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index** registered 56.0 in October, up from 54.6 in September. The index reading bounced back from the slight dip seen at the end of the third quarter, and indicated the sharpest expansion in business activity since February 2019.

The rate of new business growth remained strong overall in October, but softened amid ongoing COVID-19 restrictions and a slower expansion of new export business.

Reflecting softer pressure on capacity, firms increased their workforce numbers at a slower pace in October. The rate of employment growth was faster than the series average, but dipped to a three-month low.

Meanwhile, inflationary pressures also eased. Despite a further strong rise in cost burdens, service providers sought to generate more sales and limit increases in output charges.

Service sector firms were, however, much more upbeat regarding the outlook for business activity over the next year. The degree of optimism was the strongest since April 2018 amid hopes of an end to COVID-19 restrictions.

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

Goods producers signalled the quickest improvement in the health of the manufacturing sector since the start of 2019, as highlighted by the **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**<sup>1</sup> posting 53.3, up fractionally from 53.2 in September. October data signalled a fourth successive monthly expansion and a further move away from the substantial

contraction seen in April.

Despite the rate of production growth slowing at the start of the fourth quarter, the expansion in new orders accelerated and was the sharpest since January 2019. The upturn broadly stemmed from domestic clients as new export orders fell for the first time since July.

Nonetheless, firms were better able to process new business inflows as the accumulation in backlogs of work eased to only a marginal rate. As such, manufacturers registered a slower rise in employment in October. Some firms, however, stated that difficulties finding suitable candidates weighed on their ability to hire.

In line with their service sector counterparts, manufacturers indicated greater confidence in the outlook for output.

Goods producers noted the increased use of discounting to attract clients during October, with selling prices rising only moderately. In contrast, cost burdens rose the steepest rate since January 2019 amid supplier shortages.

### Comment

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

*"The US economy looks to have started the fourth quarter on a strong footing, with business activity growing at a rate not seen since early 2019. The service sector led the expansion as increasing numbers of companies adapted to life with COVID-19, while manufacturing continued to report solid growth amid rising demand from households and businesses.*

*"A slowdown in hiring and weaker new order inflows were in part attributable to hesitancy in decision making ahead of the presidential election. More encouragingly, business optimism surged higher, indicating that firms have become increasingly positive about prospects for the coming year amid hopes of renewed stimulus, COVID-19 containment measures gradually easing and greater certainty for businesses and households after the presidential elections."*

-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 surveys. 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 2 for manufacturing and November 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).

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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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