

Embargoed until 0945 EDT (1345 UTC) 5 April 2021

## IHS Markit U.S. Services PMI™

Including IHS Markit U.S. Composite PMI™

### Fastest rise in business activity since July 2014 as new order growth reaches six-year high

#### Key findings

Upturns in output and new orders accelerate to strong rates

Price gauges hit highest on record amid supply chain disruptions

Business optimism improves since February

Data were collected 12-26 March 2021.

March PMI™ data indicated a substantial increase in business activity across the U.S. service sector, and one that was the steepest for almost seven years. Contributing to the marked upturn in output was the fastest expansion in new business for six years, reflecting strengthening client demand. Firms also registered a renewed rise in new export orders. Meanwhile, rates of input cost and output charge inflation reached fresh record peaks, as firms sought to pass on steep rises in input prices to clients.

Meanwhile, sentiment among service providers about business in the year ahead improved, helping drive employment growth to a three-month high.

The seasonally adjusted final IHS Markit US Services PMI Business Activity Index registered 60.4 in March, up from 59.8 in February and above the earlier released 'flash' estimate of 60.0. The rate of output growth signalled was the fastest since July 2014. Service providers often stated that the stronger expansion in business activity was due to greater client demand and the easing of virus containment restrictions in some states.

At the same time, new business increased further in March, with the rate of growth accelerating for the third successive month. The pace of the upturn in client demand was the quickest since March 2015. Firms attributed the expansion to greater spending by existing customers as well as the acquisition of new clients, often through more sales and marketing activities. Others suggested that higher confidence stemming from the vaccine roll-out had driven up customer spending.

Total sales were also supported by a renewed increase in new export orders, which rose for the second time in the past four

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



Sources: IHS Markit.

months due to increased demand following easing lockdown restrictions in some markets.

On the price front, input costs soared in March. The rate of inflation accelerated to the fastest since data collection for the services survey began in October 2009. Anecdotal evidence widely linked the uptick in costs to higher prices for key inputs such as PPE, paper, plastics, fuel and transportation.

Subsequently, firms sought to pass on higher costs to clients through a sharper rise in selling prices. A number of companies also stated that stronger client demand allowed a greater proportion of the hike in costs to be passed through. The resulting rate of charge inflation was the quickest on record.

Meanwhile, business expectations regarding the outlook for output over the coming year improved in March. The degree of confidence was robust overall and among the strongest for six years. Optimism was commonly attributed to the ongoing vaccine roll-out and hopes of a substantial boost to new sales if social distancing measures are further eased during 2021.

Stronger positive sentiment was also reflected in a solid rise in employment at the end of the first quarter. The rate of job creation was the quickest for three months, as greater new business inflows sparked an increased need for additional staff. Softer pressure on capacity was evident in only a fractional rise in backlogs of work, and the slowest in the current nine-month sequence of expansion.

## IHS Markit U.S. Composite PMI®

### Steepest private sector output expansion since August 2014

The IHS Markit Composite PMI Output Index\* posted 59.7 in March, up slightly from 59.5 in February, to signal the fastest upturn in private sector business activity since August 2014. Although the expansion in manufacturing sector production eased, service providers registered a marked rise in output.

Supporting the increase in total activity was the sharpest rise in new business since September 2014. Manufacturers and service providers alike signalled stronger expansions in client demand. At the same time, new export orders increased solidly.

Price pressures remained elevated across the private sector in March. Rates of input cost and output charge inflation reached record highs amid severe supply chain disruptions and input shortages. Some firms noted that stronger demand conditions meant they could pass on a greater proportion of the increase to clients.

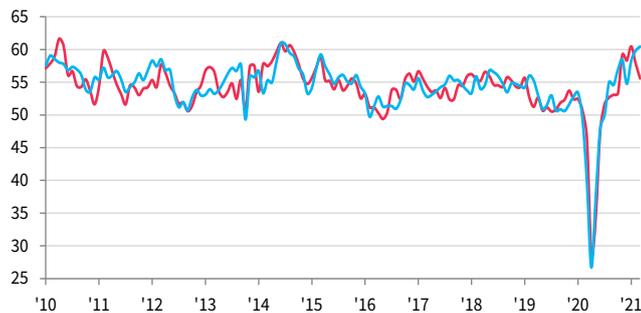
Employment continued to rise in March, and at a solid pace. Manufacturers registered a marked increase in backlogs as supply chain issues constrained production capacity.

Finally, business expectations regarding the outlook for output over the coming year improved across the private sector, and were robust overall.

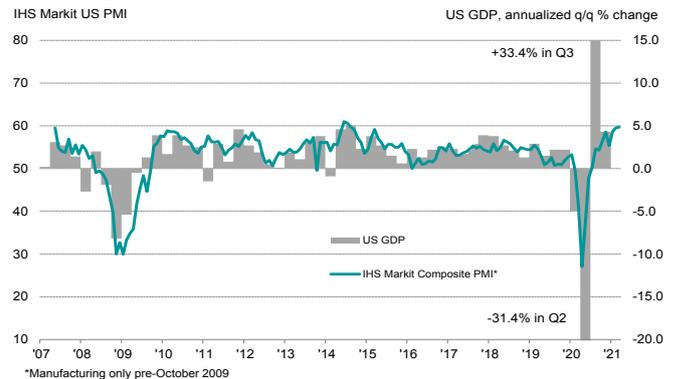
*\*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The U.S. Composite Output Index is a weighted average of the U.S. Manufacturing Output Index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

*"The recent surge in service sector growth shows no sign of abating, with another impressive performance in March rounding off a quarter in which the PMI surveys indicate that the economy grew at an annualized rate of approximately 5%.*

*"While consumer demand is rising especially strongly for goods, the surveys are now also showing rising activity in the consumer services sector, linked to the vaccine roll-out, looser virus containment measures and the fresh injection of stimulus in March. Financial services growth is also booming, in part reflecting buoyant housing and equity markets, and business spending on services is likewise picking up as firms look ahead to better times, resulting in a very broad-based and powerful looking upturn in the economy.*

*"High levels of new business inflows, rising business confidence and an increasing appetite to hire new staff suggest the economy will also see a strong second quarter, especially if the vaccine roll-out continues apace.*

*"The biggest concern is inflation, with price gauges hitting new survey highs in March as demand often exceeded supply for a wide variety of goods and services."*

## Contact

Chris Williamson  
Chief Business Economist  
IHS Markit  
T: +44-207 260 2329  
[chris.williamson@ihsmarkit.com](mailto:chris.williamson@ihsmarkit.com)

Siân Jones  
Senior Economist  
IHS Markit  
T: +44-1491-461-017  
[sian.jones@ihsmarkit.com](mailto:sian.jones@ihsmarkit.com)

Katherine Smith  
Corporate Communications  
IHS Markit  
T: +1 (781) 301-9311  
[katherine.smith@ihsmarkit.com](mailto:katherine.smith@ihsmarkit.com)

---

### 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

March data were collected 12-26 March 2021.

Data collection began in October 2009.

### Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

### Flash vs. final data

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

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2021 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email [katherine.smith@ihsmarkit.com](mailto:katherine.smith@ihsmarkit.com). To read our privacy policy, [click here](#).

### 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.

[ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html)