

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

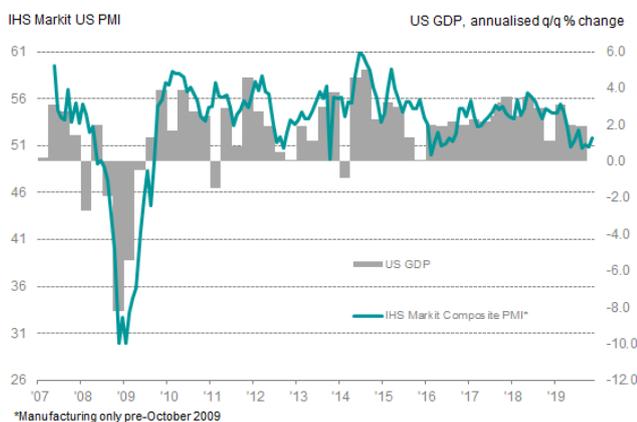
Business activity growth quickens in November

Key findings:

- Flash U.S. Composite Output Index at 51.9 (50.9 in October). 4-month high.
- Flash U.S. Services Business Activity Index at 51.6 (50.6 in October). 4-month high.
- Flash U.S. Manufacturing PMI at 52.2 (51.3 in October). 7-month high.
- Flash U.S. Manufacturing Output Index at 53.1 (52.4 in October). 10-month high.

Data collected November 12-21

IHS Markit Composite PMI and U.S. GDP



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

U.S. private sector output increased at a faster pace in November, with the rate of expansion quickening to a four-month high. Growth was supported by stronger increases in activity across both the manufacturing and service sectors.

Adjusted for seasonal factors, the **IHS Markit Flash U.S. Composite PMI Output Index** posted 51.9 in November, up from 50.9 during October, to signal the fastest expansion in private sector output since July. That said, the pace of growth was well below the series trend and only marginal overall.

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

Although the upturn in service sector new business quickened to a three-month high, the increase was only marginal and weighed on the overall expansion. Meanwhile, manufacturers registered a solid rise in new orders that was the sharpest since April, with goods producers signalling a further recovery from the slowdown seen earlier in the year.

At the same time, both manufacturers and service providers indicated a rise in workforce numbers. The overall increase in employment followed two successive months of payroll cuts. That said, the rate of job creation was only marginal, with service providers remaining hesitant towards hiring additional workers.

Greater pressure on operating capacity was signalled during November, with backlogs of work rising across the private sector for the first time since July.

Inflationary pressures remained historically subdued in November, with private sector firms registering only a modest increase in input prices and a marginal rise in output charges. Companies often stated that, despite higher cost burdens, increases in selling prices were muted due to greater market competition.

Business confidence weakened halfway through the final quarter of 2019, with the degree of optimism dropping from October's four-month high. Less robust expectations were commonly linked to hesitancy among clients in placing orders.

IHS Markit Flash U.S. Services PMI™

The seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index**

registered 51.6 in November, up from 50.6 in October and indicated the quickest expansion since July.

Although service providers noted a pick up in client demand, the upturn in new business was historically weak and well below the rates of growth seen at the start of the year.

Nonetheless, firms responded by increasing their workforce numbers for the first time since August. The pace of job creation was only fractional, however, as many firms kept their employment numbers unchanged.

Optimism among service providers dipped from that seen in October, and remained historically subdued, amid reports of less favourable demand conditions.

Meanwhile, service sector firms increased their selling prices at a faster rate, reportedly due to a slightly quicker rise in input costs.

IHS Markit Flash U.S. Manufacturing PMI™

Goods producers signalled a stronger improvement in operating conditions in November, as signalled by a rise in the **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**¹ to 52.2, up from 51.3 in October. The rate of overall growth was the fastest since April, albeit moderate overall.

The improvement in the health of the manufacturing sector was supported by sharper and solid expansions in production and new orders. The rate of increase in the former reached a ten-month high amid reports of stronger client demand.

Manufacturers registered the first increase in backlogs since June, with firms responding to greater pressure on capacity by increasing staffing levels at the steepest pace since March.

At the same time, a faster rise in input costs led to a steeper increase in factory gate charges in November. Greater customer demand allowed firms to partially pass-through higher costs to clients.

Nevertheless, goods producers were less confident towards the outlook for output over the coming 12 months. Firms commonly stated that reduced optimism was linked to ongoing economic uncertainty.

¹ 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:

"A welcome upturn in the headline index from the flash PMI adds to evidence that the worst of the economy's recent soft patch may be behind us. Output of the combined manufacturing and service sectors rose in November at the fastest rate since July, spurred by improved inflows of new business. Encouragingly, firms took on staff again after two months of headcount reductions, primarily to help deal with rising backlogs of work."

"A recovery of manufacturing production growth to a ten-month high is especially welcome news, helping to lift service sector activity growth from recent lows."

"However, although improving, the picture of current business conditions remains subdued by standards seen over the past decade and the business mood sombre in relation to prospects for the year ahead. The latest survey results are indicative of GDP rising at a modest annualised rate of just 1.5%, with payrolls rising at a monthly clip of approximately 100,000."

"Although up on lows seen in the summer, business expectations for the future are still well below levels seen earlier in the year, reflecting heightened anxiety regarding trade wars and geopolitical uncertainty, as well as recent low customer enquiry numbers and the weakness of new sales volumes."

-Ends-

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Note to Editors:

Final November data are published on December 2 for manufacturing and December 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.

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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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