

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 0945 (EST) / 1445 (UTC) November 5<sup>th</sup> 2018**

## IHS Markit U.S. Services PMI™ – final data (with composite PMI™)

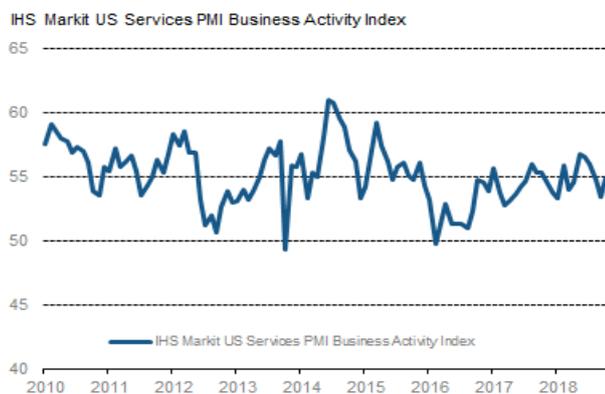
### Business activity growth regains momentum in October

#### Key findings:

- Output expansion accelerates
- Input price inflation fastest since September 2013
- Rate of job creation dips to nine-month low

Data collected October 12-26

#### Service sector business activity (seasonally adjusted)



Source: IHS Markit.

The U.S. service sector reported a strong expansion in business activity in October. The rate of growth rebounded from September’s weather-related weakness, but was also buoyed by a sharp rise in new business. Capacity was often reported to have come under some strain, however, and difficulties finding suitable candidates were partly to blame for the rate of job creation easing to a nine-month low. Meanwhile, price pressures intensified, with rates of both input cost and output charge inflation accelerating.

The seasonally adjusted final **IHS Markit U.S. Services Business Activity Index** registered 54.8 in October, up from September’s recent low of 53.5

and broadly in line with the earlier ‘flash’ reading of 54.7. Output growth regained momentum to run just below the average for 2018 so far. Service providers commonly linked the rise in business activity to increased new business and a pick up in demand after inclement weather in September.

A sharp expansion in new business drove overall output growth, with the pace of increase above the long-run series trend and close to rates seen earlier in the year. Survey responses indicated that the upturn stemmed from more favourable demand conditions and new product launches.

In line with a steep rise in new business, staffing levels rose further in October. That said, the rate of job creation lost some momentum and eased to a nine-month low. Some respondents stated that difficulties finding suitable candidates had limited employment growth. Therefore, capacity pressures remained, with backlogs rising further.

Business confidence meanwhile recovered from September’s recent low in October, with the level of optimism improving to a five-month high.

October data saw a further sharp rise in input costs paid by service providers. Moreover, the rate of input price inflation quickened to the fastest in just over five years. A number of firms noted that greater input prices, including wages, and higher borrowing costs were behind the third acceleration in input cost inflation in as many months.

Firms often sought to pass higher expenses on to clients through greater output charges, facilitated by the recent strength of demand. The rate of charge inflation was the second-fastest in the nine-year series history.

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

At 54.9 in October, the final seasonally adjusted **IHS Markit U.S. Composite PMI™ Output Index** picked up from 53.9 in September. The upturn was supported by robust expansions in both the manufacturing and service sectors.

The composite index is based on original survey data from the IHS Markit U.S. Services PMI and the IHS Markit U.S. Manufacturing PMI.

## Comment

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

*“A rebound from a weather-torn September and strong demand propelled service sector growth in October. Combined with the steady output growth being recorded in the manufacturing sector, the survey data suggest the economy grew at its fastest rate since July.”*

*“Comparisons with GDP indicate that the latest survey data translate into an annualised rate of economic growth of around 2.5%, representing a solid start to the fourth quarter.”*

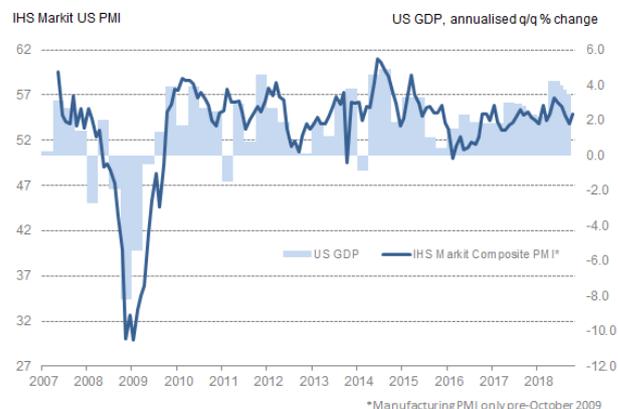
*“Expectations of future business growth spiked higher, suggesting companies are expecting a strong end to the year for the economy.”*

*“Average selling prices for goods and services rose at a rate only marginally below September’s ten-year survey record high, however, indicating that intensifying inflationary pressures remain a key concern.”*

*“Price rises often reflected the need to pass higher costs on to customers, in turn often linked to tariffs, upward wage growth and higher interest rates. Consumer price inflation therefore looks set to remain elevated.”*

-Ends-

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



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

**For further information, please contact:****IHS Markit**

Chris Williamson, Chief Economist

Telephone +44-207 260 2329

Email [chris.williamson@ihsmarkit.com](mailto:chris.williamson@ihsmarkit.com)

Siân Jones, Economist

Telephone +44-1491-461-017

Email [sian.jones@ihsmarkit.com](mailto:sian.jones@ihsmarkit.com)

Joanna Vickers, Corporate Communications

Telephone +44-207 260 2234

E-mail [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)**Note to Editors:**

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 originally began collecting monthly PMI data in the U.S. service sector in October 2009.

The final U.S. Services PMI follows on from the flash estimate which 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.

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 (Nasdaq: 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 © 2018 IHS Markit Ltd. All rights reserved.

**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. To learn more go to [ihsmarkit.com/products/pmi](http://ihsmarkit.com/products/pmi).

The intellectual property rights to the U.S. Services PMI™ 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.

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