

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

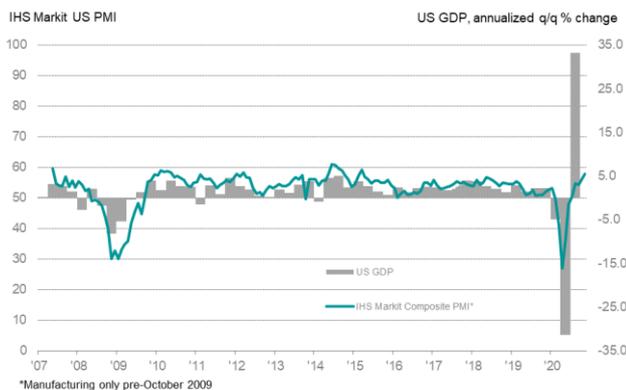
Recovery gains further momentum with hiring at all-time high

Key findings:

- Flash U.S. Composite Output Index at 57.9 (56.3 in October). 68-month high.
- Flash U.S. Services Business Activity Index at 57.7 (56.9 in October). 68-month high.
- Flash U.S. Manufacturing PMI at 56.7 (53.4 in October). 74-month high.
- Flash U.S. Manufacturing Output Index at 58.7 (53.3 in October). 68-month high.

Data collected November 12-20

IHS Markit Composite PMI and U.S. GDP



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

U.S. private sector business activity rose sharply in November, as growth momentum picked up further. The overall expansion was the fastest for over five-and-a-half years, as both manufacturers and service providers indicated a steeper upturn in output. The month also saw a survey record rise in employment and an unprecedented increase in prices, the latter in part linked to a record incidence of supply chain delays.

Adjusted for seasonal factors, the **IHS Markit Flash U.S. Composite PMI Output Index** posted 57.9 in November, up from 56.3 in October. The rate of growth was the sharpest since March 2015, as a

steep upturn in service sector activity was accompanied by an accelerated rise in manufacturing production.

As well as a sharp increase in business activity, companies reported a marked rise in new orders during November. The rate of growth was the fastest since June 2018, with a substantial acceleration in manufacturing new business growth to a 30-month high boosting total sales, joined by the quickest rise in service sector sales for 26 months. The increase in total orders was largely driven by domestic demand, as both goods producers and service providers indicated only marginal upturns in new export business.

Encouragingly, there was a marked uptick in hiring during November to result in the steepest monthly rise in employment recorded since the survey began in 2009. Service providers boosted their workforce numbers amid burgeoning demand, but hiring slowed slightly in manufacturing.

The improving demand environment allowed increasing numbers of firms to raise their selling prices, with November consequently seeing the quickest rise in prices yet recorded by the survey. The rate of inflation hit a record high in the service sector and a 25-month high in manufacturing.

Firms also registered an unprecedented rise in input costs during November, as growing demand for inputs and supply shortages reportedly pushed supplier prices higher. Service sector cost inflation hit a survey high and manufacturers' input costs rose at the sharpest rate for just over two years, with supplier delays more widespread than at any other time in the survey's 11-year history.

Improved hopes of a vaccine against the coronavirus disease 2019 (COVID-19), and an end to election uncertainty, led to the greatest degree of

optimism for the year ahead since May 2014.

IHS Markit Flash U.S. Services PMI™

The seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index** registered 57.7 in November, rising from 56.9 in October, to signal the strongest expansion in output since March 2015.

Contributing to the steep rise in business activity was a faster increase in new orders at service providers, and one that was the quickest since September 2018. A number of survey respondents noted that new domestic client acquisitions supported the upturn, offsetting a swift slowdown in new export orders.

In line with stronger demand, firms registered a sharp increase in employment in November. The boost to service sector workforces was the most marked since data collection began in October 2009, as rising demand spurred on hiring.

Service providers indicated a steep rise in input costs midway through the fourth quarter, with rising supplier prices and wage growth pushing the rate of inflation to the fastest on record. Firms were able to partially pass on higher costs to clients, however, through a survey-record rise in output charges.

Finally, firms were more upbeat regarding the outlook for output over the coming year, with optimism at its strongest since May 2014.

IHS Markit Flash U.S. Manufacturing PMI™

Manufacturing firms indicated the strongest improvement in operating conditions since September 2014, as highlighted by the **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**¹ posting 56.7 in November. Up from 53.4 in October, the latest headline figure signalled a sharp improvement in the health of the U.S. goods-producing sector.

Manufacturers registered a marked expansion in output, largely driven by a notable uptick in new business as demand conditions improved. Moreover, the rise in production was the fastest since March 2015, with some firms noting a greater ability to complete orders as they were received.

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 surveys. No information from the ISM survey is used in the production of IHS Markit's PMI.

New export orders also rebounded from October's contraction and rose marginally.

Despite the strongest rise in backlogs of work since August 2014, goods producers signalled a slower rate of job creation in November. Many noted that the cautious approach to hiring stemmed from efforts to cut costs and short term uncertainty regarding the ongoing pandemic.

The rate of input price inflation picked up to the fastest since October 2018, as demand for inputs increased once again and amid a record-breaking deterioration in vendor performance. Higher supplier prices were passed on to clients in part, however, through the sharpest rise in charges for over two years.

Business confidence among manufacturers soared in November, as the year-ahead outlook for output improved notably. The level of optimism was the strongest since February 2015.

Comment

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

"The November PMI surveys provide the first post-election snapshot of the US economy, and makes for very encouraging reading, though stronger economic growth is quite literally coming at a price."

"First the good news: business activity across both manufacturing and services rose in November at the strongest rate since March 2015. The upturn reflected a further strengthening of demand, which in turn encouraged firms to take on staff at a rate not previously seen since the survey began in 2009."

"However, the surge in demand and hiring has pushed prices and wages higher. Average selling prices for goods and services rose at the fastest rate yet recorded by the survey, with shortages of supplies also more widespread than at any time previously reported."

"Firms are scrambling for inputs and workers to meet the recent growth of demand, and to meet rising future workloads. Expectations about the year ahead have surged to the most optimistic for over six years, reflecting the combination of a post-election lift to confidence and encouraging news that vaccines may allow a return to more normal business conditions in the not too distant future."

-Ends-

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Note to Editors:

Final November data are published on December 1 for manufacturing and December 3 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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