

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

Business activity growth weakens in August amid slowest rise in new orders for a decade

Key findings:

- Flash U.S. Composite Output Index at 50.9 (52.6 in July). 3-month low.
- Flash U.S. Services Business Activity Index at 50.9 (53.0 in July). 3-month low.
- Flash U.S. Manufacturing PMI at 49.9 (50.4 in July). 119-month low.
- Flash U.S. Manufacturing Output Index at 50.6 (50.5 in July). 2-month high.

Data collected August 12-21

IHS Markit Composite PMI and U.S. GDP



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

August data signalled a renewed slowdown in the rate of U.S. private sector business activity growth. The seasonally adjusted **IHS Markit Flash U.S. Composite PMI Output Index** dipped from 52.6 in July to 50.9 in August, to signal only a slight increase in business activity and the slowest pace of expansion for three months. Moreover, the latest reading was the joint-lowest since February 2016.

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

and manufacturing.

Weaker business activity growth largely reflected a loss of momentum in the service sector during August. Although manufacturing production rose at a broadly similar pace to that seen in July, the rate of expansion remained softer than that recorded in the service economy.

Private sector companies revealed a marked slowdown in new business growth in August, with the latest upturn in order books the weakest since the series began in October 2009. Survey respondents often cited subdued corporate spending in response to softer business conditions and concerns about the global economic outlook.

A number of private sector firms noted that less favorable demand conditions had held back staff recruitment during August. The rate of job creation eased to its weakest since February 2010. Meanwhile, confidence in relation to the year-ahead business outlook dropped for the seventh month running to its lowest since this index began in July 2012.

The latest survey indicated an overall decline in average cost burdens for the first time since the index began in October 2009. Meanwhile, prices charged by private sector companies decreased for the first time in three-and-a-half years.

IHS Markit U.S. Services PMI™

At 50.9 in August, down from 53.0 in July, the **IHS Markit Flash U.S. Services PMI™ Business Activity Index** eased to a three-month low and pointed to only a marginal rate of expansion.

Subdued demand conditions continued to act as a brake on growth, with the latest rise in new work the slowest since March 2016. This contributed to a decline in backlogs of work for the first time in 2019

to date.

Meanwhile, business expectations among service providers for the next 12 months eased in August and were the lowest since this index began nearly a decade ago.

IHS Markit U.S. Manufacturing PMI™

The seasonally adjusted **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**¹ registered 49.9 in August, down from 50.4 in July and below the neutral 50.0 threshold for the first time since September 2009.

The decline in the headline PMI mainly reflected a much weaker contribution from new orders, which offset a stabilization in employment and fractionally faster output growth.

New business received by manufacturing companies fell for the second time in the past four months during August. Although only marginal, the latest downturn in order books was the sharpest for exactly 10 years. Latest data also signalled the fastest reduction in export sales since August 2009.

Survey respondents indicated that a drop in sales often cited a soft patch across the automotive sector, alongside a headwind to manufacturing exports from weaker global economic conditions.

Meanwhile, manufacturing companies continued to trim their inventory levels in August, which was mainly linked to concerns about the demand outlook. Pre-production inventories fell for the fourth month running, while stocks of finished goods decreased to the greatest extent since June 2014.

Comment

Commenting on the flash PMI data, **Tim Moore, Economics Associate Director** at IHS Markit said:

“August’s survey data provides a clear signal that economic growth has continued to soften in the third quarter. The PMIs for manufacturing and services remain much weaker than at the beginning of 2019 and collectively point to annualized GDP growth of around 1.5%.

“The most concerning aspect of the latest data is a slowdown in new business growth to its weakest in a decade, driven by a sharp loss of momentum across the service sector. Survey respondents commented on a headwind from subdued corporate spending as softer growth expectations at home and internationally encouraged tighter budget setting.

“Manufacturing companies continued to feel the impact of slowing global economic conditions, with new export sales falling at the fastest pace since August 2009.

“Business expectations for the year ahead became more gloomy in August and remain the lowest since comparable data were first available in 2012. The continued slide in corporate growth projections suggests that firms may exert greater caution in relation to spending, investment and staff hiring during the coming months.”

-Ends-

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.

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

Tim Moore, Associate Director
Telephone +44-1491-461-067
Email tim.moore@ihsmarkit.com

Katherine Smith, Corporate Communications
Telephone +1 (781) 301-9311
E-mail katherine.smith@ihsmarkit.com

Note to Editors:

Final August data are published on September 3 for manufacturing and September 5 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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