

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 0945 (EDT) / 1345 (UTC) September 21<sup>st</sup> 2018**

## IHS Markit Flash U.S. PMI™

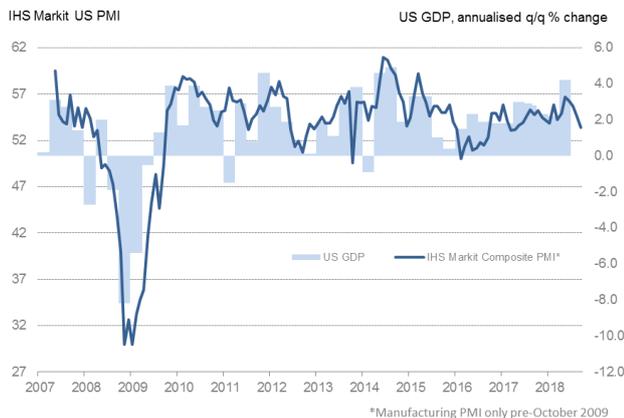
### Output growth softens in September. Prices charged inflation hits survey-record high

**Key findings:**

- Flash U.S. Composite Output Index at 53.4 (54.7 in August). 17-month low.
- Flash U.S. Services Business Activity Index at 52.9 (54.8 in August). 18-month low.
- Flash U.S. Manufacturing PMI at 55.6 (54.7 in August). 4-month high.
- Flash U.S. Manufacturing Output Index at 55.7 (54.3 in August). 4-month high.

Data collected September 12-20

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



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

September data indicated another slowdown in U.S. private sector output growth. At 53.4, down from 54.7 in August, the seasonally adjusted **IHS Markit Flash U.S. Composite PMI Output Index** pointed to the weakest upturn in business activity since April 2017.

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.

The overall moderation in output growth was driven

by the service economy, which more than offset an accelerated rise in manufacturing production.

Anecdotal evidence suggested that some of the slowdown in overall output growth reflected company shutdowns on the east coast ahead of hurricane Florence. These disruptions contributed to a solid increase in unfinished business during September. Backlogs of work were accumulated at the fastest pace for three months.

Latest data revealed that new order books strengthened since August. The overall rate of new business growth was the fastest since June, which survey respondents attributed to resilient demand conditions across the wider U.S. economy.

Payroll numbers increased at a robust and quicker pace in September. The latest rise in employment was the strongest since May 2015, led by a rebound in job creation at service providers.

Average prices charged by private sector firms increased at the sharpest rate seen in the nine-year survey history. Service providers signalled a particularly steep rise in output charges in September, which they commonly attributed to the pass through of higher labor costs and increased prices for inputs sourced from abroad.

Manufacturers widely noted that trade tariffs had led to higher prices for metals and encouraged the forward purchasing of materials. Some firms commented that higher demand and resilient order books had helped them to offset squeezed margins by pushing up output charges.

Future expectations meanwhile fell to the lowest so far in 2018, and the second-lowest in over two years, as optimism deteriorated in both the manufacturing and service sectors.

### IHS Markit U.S. Services PMI™

The seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index** dropped to 52.9 in September, from 54.8 in August, to signal the weakest expansion of service sector output since March 2017. However, a renewed rise in backlogs of work and stronger new business growth provided signs of resilient underlying demand during September.

Efforts to boost operating capacity underpinned a robust and accelerated upturn in employment. The rate of job creation in the service economy was the fastest since May 2015.

Expectations for activity growth over the year ahead softened in September. The degree of positive sentiment was the lowest since December 2017. Some firms commented on intense cost pressures. This was also highlighted by a strong rise in input prices in September, while average prices charged by service providers increased at the fastest pace since the survey began in October 2009.

### IHS Markit U.S. Manufacturing PMI™

The seasonally adjusted **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**<sup>1</sup> pointed to a robust improvement in business conditions across the manufacturing sector during September. At 55.6, up from 54.7 in August, the headline index was the highest since May.

Stronger rates of output and new order growth were the main factors boosting the PMI in September. Stock building also had a positive contribution to the headline index, with pre-production inventories rising at the fastest pace since December 2016.

Input buying increased at the strongest rate for four years in September. A number of manufacturers commented on forward purchasing in response to global trade tensions and longer delivery times from domestic suppliers.

There were signs that manufacturers have become more cautious about the year-ahead growth outlook, with business sentiment moderating to its lowest since March 2017. Moreover, staffing numbers were expanded at the weakest pace for 13 months in September.

### Comment

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

*“With storms hitting the east coast, it was no surprise to see some disappointing survey data in September, with the flash PMI indicating that the pace of economic growth slipped to its lowest for almost one-and-a-half years.*

*“However, business activity remained encouragingly resilient during the month, commensurate with third quarter GDP growing at an annualised rate approaching 3%.*

*“Growth may well pick up again as we move into the fourth quarter. With new orders growth accelerating and backlogs of work rising due to weather-related disruptions, the survey data suggest underlying demand remains robust and that there’s an accumulation of work that will roll over into stronger economic growth in coming months.*

*“Most encouraging was an upturn in hiring. The survey’s employment gauge rose to a level indicative of non-farm payroll growth topping 200,000 in September.*

*“On the downside, prices charged spiked higher again during the month, rising at the steepest rate seen for at least nine years, as supply shortages and rising costs, often linked to tariffs, fed through to selling prices.*

*“The escalation of trade wars, and the accompanying rise in prices, contributed to a darkening of the outlook, with business expectations for the year ahead dropping sharply during the month. While business activity may rebound after the storms, the drop in optimism suggests the longer term outlook has deteriorated, at least in the sense that growth may have peaked.”*

-Ends-

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<sup>1</sup> 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**

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**Note to Editors:**

Final September data are published on October 1 for manufacturing and October 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](mailto:economics@ihsmarkit.com).

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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.

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