

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

Slower growth of new orders and employment takes shine off robust rise in private sector output

Key findings:

- Flash U.S. Composite Output Index at 54.4 (54.9 in October). 2-month low.
- Flash U.S. Services Business Activity Index at 54.4 (54.8 in October). 2-month low.
- Flash U.S. Manufacturing PMI at 55.4 (55.7 in October). 3-month low.
- Flash U.S. Manufacturing Output Index at 54.5 (55.2 in October). 3-month low.

Data collected November 12-23

IHS Markit Composite PMI and U.S. GDP



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

November data pointed to another robust increase in U.S. private sector output, supported by resilient rates of expansion at both manufacturing and service sector companies. However, the latest survey also revealed a loss of momentum for new business growth, with order books improving at the slowest pace since December 2017.

At the same time, private sector firms indicated greater caution in terms of staff hiring, with payroll

numbers expanding at the weakest rate for almost one-and-a-half years.

Adjusted for seasonal influences, the **IHS Markit Flash U.S. Composite PMI Output Index** registered 54.4 in November, down from 54.9 in October but still well above the 50.0 no-change threshold. The average reading so far in the final quarter of 2018 is broadly in line with that seen during the third quarter (54.8).

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.

Robust rises in service sector activity and manufacturing output were recorded in November, although in both cases the rate of growth moderated since the previous month. Survey respondents noted that strong domestic demand and improving underlying economic conditions continued to support business activity expansion.

However, while still solid, new order growth eased for the second month running in November, with the latest upturn the weakest seen so far in 2018. A slower improvement in order books helped to alleviate capacity pressures and contributed to the smallest rise in payroll numbers since June 2017. Moreover, latest data indicated that business confidence towards the year-ahead outlook moderated from October's five-month high.

November data indicated that strong input price inflation persisted across the private sector economy, which survey respondents often linked to higher costs for transportation and raw materials (particularly metals). Overall input cost inflation nonetheless eased to a three-month low, in part due to lower commodity prices. Average prices charged for goods and services rose at the slowest rate since April as a result.

IHS Markit U.S. Services PMI™

The seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index** dropped from 54.8 in October to 54.4 in November. The latest reading nonetheless was well above the 50.0 no-change value and signalled a robust upturn in service sector activity.

In contrast to the resilient trend seen for business activity, new work expanded at a much slower pace than in October. Service providers responded to weaker new business growth by exercising more caution with their staff recruitment during November. The rate of job creation was the softest since June 2017.

On the inflation front, latest data pointed to a moderation in cost pressures faced by service sector companies. The latest rise in operating expenses was the least marked for three months, which contributed to the slowest increase in average prices charged since June.

IHS Markit U.S. Manufacturing PMI™

Manufacturing companies experienced further robust rises in output, new work and employment during November. The latest increase in new orders was the fastest for six months and the rate of job creation hit an 11-month high, which contrasted with the softer trends seen in the service economy.

Despite stronger growth of new orders and employment, the seasonally adjusted **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI)™¹** eased from 55.7 in October to 55.4 in November, thereby signalling the weakest improvement in operating conditions for three months. Weaker production growth and a slower rate of inventory accumulation contributed to the fall in the headline PMI during November.

Manufacturers suggested that robust domestic demand and strong confidence among clients had supported their order books during the latest survey period. A number of firms noted that capacity constraints and stretched supply chains were the main headwinds to output growth at their plants.

Meanwhile, latest data pointed to another sharp rise in average cost burdens. Manufacturers widely

commented on strong demand for raw materials and higher metals prices linked to tariffs. However, overall input price inflation eased slightly from October's three-month high.

Comment

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

"Solid flash PMI numbers for November add to evidence that the US is enjoying sustained robust economic growth in the fourth quarter. The surveys are broadly consistent with the economy growing at an annualised rate of 2.5%, building further on the country's best growth spell since 2014 seen in the second and third quarters.

"The November survey does raise some warning flags to suggest growth could slow in coming months. In particular, growth of hiring has waned as companies grew somewhat less optimistic about the outlook. Goods exports also appear to also be coming under increasing pressure, often linked to trade wars having dampened demand. However, it should also be remembered that some pull back in growth was to be expected after October's numbers were boosted by a post-hurricane rebound, especially given the historically high levels of production, order books and employment.

"With growth remaining reassuringly robust and price pressures elevated, policymakers will be encouraged that the economy has so far withstood both the headwinds of trade war worries and the steady progress made to date towards normalising interest rates."

-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.

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Note to Editors:

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