

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

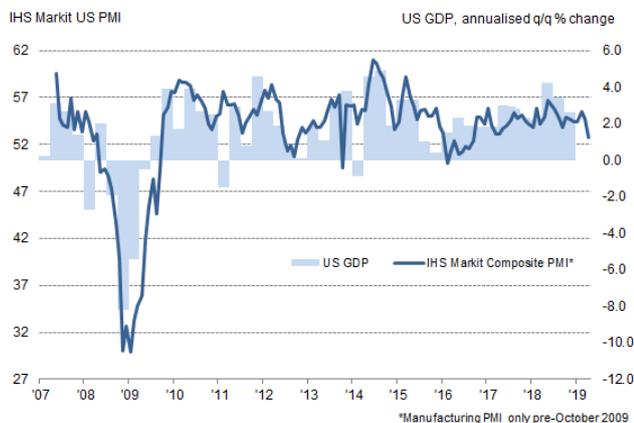
Business activity growth slows sharply to 31-month low

Key findings:

- Flash U.S. Composite Output Index at 52.8 (54.6 in March). 31-month low.
- Flash U.S. Services Business Activity Index at 52.9 (55.3 in March). 25-month low.
- Flash U.S. Manufacturing PMI at 52.4 (52.4 in March). Unchanged.
- Flash U.S. Manufacturing Output Index at 52.4 (51.3 in March). Two-month high.

Data collected April 10-17

IHS Markit Composite PMI and U.S. GDP



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

April PMI data indicated a further slowdown of private sector activity across the U.S. A less robust service sector performance accompanied another weak manufacturing performance to weigh on overall growth at the start of the second quarter of 2019.

At 52.8 in April, down from 54.6 in March, the seasonally adjusted **IHS Markit Flash U.S. Composite PMI Output Index** signalled the slowest increase in overall business activity since September 2016. 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 slower increase in output was driven by widespread reports of softer overall demand conditions, with total new business growth easing amid only a marginal rise in export sales. Furthermore, the upturn in overall new orders softened for the second month running to the weakest for two years.

Subsequently, firms reported less strain on capacity, with backlogs rising at the slowest pace in 2019 to date. A softer rise in new orders led companies to hit the brakes with regards to hiring, as highlighted by the weakest expansion of payrolls since April 2017.

Meanwhile, cost pressures remained subdued and moderated further from the peaks seen in 2018. The rate of input price inflation across the private sector was the least marked since September 2016. Consequently, average selling prices also rose at a weaker pace.

In line with softer demand conditions and less robust output growth, expectations towards future business activity were toned down in April. Notably, business optimism dropped to its lowest since June 2016.

IHS Markit U.S. Services PMI™

The seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index** signalled a further moderation in service sector activity growth, posting down from 55.3 in March to 52.9 in April. The modest expansion was below the series trend and indicated the slowest increase since March 2017.

Echoing the trend seen for business activity, the upturn in new business softened in April and was the least marked for two years. Consequently, service providers revised down their output

expectations for the year ahead and signalled a slower rise in employment.

Meanwhile, rates of both input cost and output charge inflation eased. Increased competition for new work, as well as smaller rises in input costs, reportedly dampened the overall pace of selling price inflation.

IHS Markit U.S. Manufacturing PMI™

U.S. goods producers continued to signal only a modest improvement in operating conditions in April.

The seasonally adjusted **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI)™**¹ registered 52.4 in April, unchanged from March's reading. The latest data nonetheless signalled the joint-weakest improvement in operating conditions across the sector since June 2017.

Underlying data indicated that improved readings for output and new orders were generally offset by slower increases in employment and pre-production inventories.

The latest increase in new business was the quickest for three months. Nevertheless, the expansion was well below those seen this time last year, with foreign demand also remaining relatively muted. As a result, production volumes expanded at a slightly quicker, albeit still modest, pace.

Finally, inflationary pressures softened further across the manufacturing sector. The rate of input price inflation eased for the sixth successive month and was the weakest since July 2017. Smaller increases in costs were generally passed on to clients through a softer rise in factory gate prices.

Comment

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

"The US economy started the second quarter with its weakest expansion since mid-2016 as businesses reported a marked slowing in output, new orders and hiring.

"The survey indicates that the manufacturing downturn seen in the first quarter has persisted into April, but growth in the service sector has now also slumped to a two-year low as the malaise showed further signs of spreading beyond the factory sector.

"The April surveys are consistent with GDP rising at an annualised rate of just under 2%, with the official measure of manufacturing production remaining in decline.

"April also saw firms become more reluctant to hire as a result of weaker order book growth, pushing jobs growth to a two-year low. The survey's headline employment index is indicative of non-farm payrolls growing by 130,000 in April, well below the 198,000 average indicated in the first quarter.

"A drop in price pressures meanwhile suggests that inflationary pressures continued to moderate, signalling that annual consumer price inflation could drop below 1% in coming months, as pricing power fades alongside weaker demand.

"While the overall rate of growth and job creation being signalled remain relatively solid, the slowdown likely has further to run. Companies' expectations of future growth slid to one of the lowest levels seen since comparable data were first collected in 2012. Only mid-2016 has seen gloomier business prospects."

-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 April data are published on May 1 for manufacturing and May 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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