

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
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## IHS Markit U.S. Services PMI™ – final data (with composite PMI™)

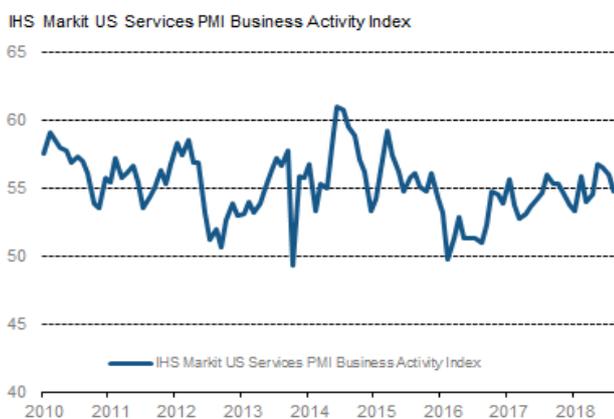
### Service sector activity growth eases, amid weaker new business upturn

#### Key findings:

- Output and new business expand at softer rates in August
- Employment growth eases to seven-month low
- Inflationary pressures ease

Data collected August 13-28

#### Service sector business activity (seasonally adjusted)



Source: IHS Markit.

The latest survey data signalled a weaker rise in business activity across the U.S. service sector. Output growth softened to a four-month low and dipped below the long-run series trend. The rate of new business growth softened to an eight-month low, despite remaining strong overall. Subsequently, firms showed evidence of spare capacity with backlogs falling further and employment growth slowing to a seven-month low. Meanwhile, increases in input prices and output charges eased, despite the rate of charge inflation remaining well above the series trend.

The seasonally adjusted final **IHS Markit U.S.**

**Services Business Activity Index** registered 54.8 in August, down from 56.0 in July. Output growth was largely attributed by panellists to greater client demand and the opening of new facilities. However, the overall rate of growth eased to the softest since April.

New business also increased in August, but the rate of expansion dipped to an eight-month low. Anecdotal evidence linked the rise to the acquisition of new clients and new project launches.

Despite the rate of new business growth outstripping that of output, backlogs contracted for the second month running. The pace of decline was only fractional and eased slightly from that seen in the previous month.

Although still solid, the rate of job creation dipped to a seven-month low in August. Firms commonly reported difficulties finding suitable candidates, while greater business requirements and a sustained rise in new orders led many to increase employment.

Input prices paid by service sector firms continued to increase at a strong rate in August. The pace of inflation nonetheless softened to a five-month low, the increase was faster than the series trend. Anecdotal evidence suggested that higher cost burdens stemmed from greater purchases prices (largely driven by tariffs) and a rise in fuel costs.

Larger cost burdens were partly passed on to clients through higher output charges. Delays receiving purchases and higher wage costs were commonly mentioned as placing strain on profit margins. The rate of inflation remained strong and close to July's recent peak.

Finally, business confidence was strongly positive

and optimism improved from July's recent low in August. Panellists stated that output expectations were driven by planned investment, greater marketing activity and a sustained rise in new business.

### IHS Markit Final U.S. Composite PMI™

At 54.7 in August, the final seasonally adjusted **IHS Markit U.S. Composite PMI™ Output Index** fell from 55.7 in July. Although strong, the pace of expansion eased to a five-month low, driven by weaker rates of growth across both the manufacturing and service sectors.

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.

### Comment

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

*“The weaker PMI numbers indicate that the third quarter is unlikely to see the pace of economic growth match the 4.2% clip seen in the second quarter, though it’s clear that domestic demand remains strong, helping companies raise prices at a near-record rate.*

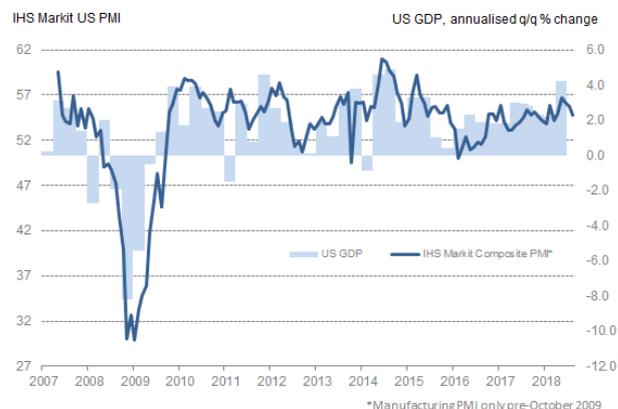
*“The survey data so far for the third quarter signal annualised GDP growth of just under 3.0%. However, further momentum was lost in August, and the weakest rise in new orders for goods and services for eight months suggests growth could wane further in September.*

*“Similarly, while the survey employment readings remain roughly consistent with a non-farm payroll gain of just under 200,000, the rate of job creation may likewise start to slow. Backlogs of work barely rose for a second successive month in August, indicating that existing operating capacity levels are broadly sufficient to cope with current demand growth.*

*“However, despite the signs of slower growth, companies continued to report strong pricing power, underscoring the on-going buoyancy of domestic demand in particular. Average prices charged for goods and services rose at a rate only slightly below July’s nine-year survey record high.”*

--Ends--

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



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

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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 originally began collecting monthly PMI data in the U.S. service sector in October 2009.

The final U.S. Services PMI follows on from the flash estimate which 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.

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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