News Release

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

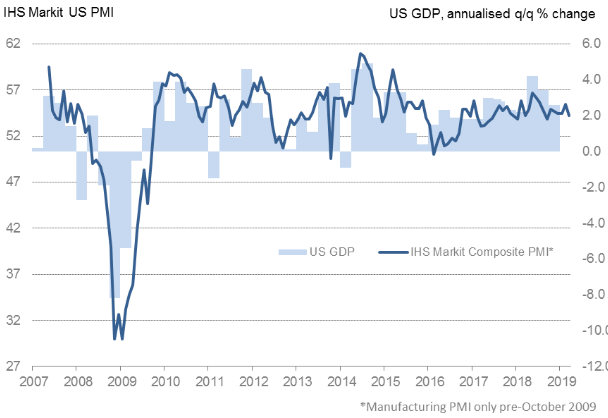
Business sees soft end to first quarter amid factory slowdown

Key findings:

- Flash U.S. Composite Output Index at 54.3 (55.5 in February). 6-month low.
- Flash U.S. Services Business Activity Index at 54.8 (56.0 in February). 2-month low.
- Flash U.S. Manufacturing PMI at 52.5 (53.0 in February). 21-month low.
- Flash U.S. Manufacturing Output Index at 51.6 (52.7 in February). 33-month low.

Data collected March 12-21

IHS Markit Composite PMI and U.S. GDP



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

March data revealed a slowdown in U.S. private sector output growth, with manufacturing firms experiencing a particularly subdued end to the first quarter of 2019.

At 54.3 in March, down from 55.5 in February, the seasonally adjusted **IHS Markit Flash U.S. Composite PMI Output Index** pointed to the weakest upturn in private sector business activity since September 2018. 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.

Softer business activity growth reflected more subdued demand conditions in March, with new work rising at the weakest pace since April 2017. A number of firms cited cautious spending patterns among clients and less upbeat business sentiment.

Private sector companies responded to slower new business growth by reining in staff hiring during March. Latest data pointed to the weakest increase in payroll numbers since June 2017.

Input price inflation moderated to a two-year low during the latest survey period. Softer cost pressures led to the least marked rise in prices charged by private sector firms since October 2017.

Meanwhile, survey respondents indicated another dip in optimism regarding the year ahead business outlook. March data signalled that the degree of positive sentiment was the weakest since June 2016.

IHS Markit U.S. Services PMI™

The seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index** posted 54.8 in March, down from February's seven-month high of 56.0. Nonetheless, the latest reading was still well above the neutral 50.0 value and signalled a solid overall upturn in business activity across the service economy.

Mirroring the trend for business activity, March data indicated a softer rise in new work received by service providers. The latest survey also pointed to the smallest increase in employment numbers since May 2017.

On a more positive note, input cost inflation was only modest in March, with the latest survey pointing to the slowest rise in operating expenses for exactly two years.

IHS Markit U.S. Manufacturing PMI™

Manufacturing companies indicated a particularly weak improvement in business conditions during March.

The seasonally adjusted **IHS Markit Flash U.S. Manufacturing *Purchasing Managers' Index*™ (*PMI*™)**[1] registered 52.5, down from 53.0 in February and the lowest reading since June 2017.

Softer rises in output, new orders and employment all weighed on the headline PMI in March. The latest expansion of production volumes was only modest and the least marked since June 2016.

A number of manufacturers commented on a cyclical slowdown in client demand. Reflecting this, new orders increased at the weakest rate for just under two years in March.

Growth of input buying was the slowest since May 2017, with survey respondents citing the need to adjust purchasing volumes to softer demand conditions. This helped alleviate pressure on supply chains, with lead-times from vendors lengthening to the least marked degree for almost one-and-a-half years.

Input price inflation continued to moderate in March, with the latest rise in average cost burdens the slowest since August 2017. Moreover, factory gate prices increased at a relatively subdued pace that was the weakest recorded for over one year.

Comment

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

"US businesses reported a softer end to the first quarter, with output growth easing to the second lowest recorded over the last year. The PMI survey data nevertheless remain encouragingly resilient, indicative of the economy growing at an annualised rate in excess of 2% in the first quarter, suggesting some potential upside to many current growth forecasts.

"A gap has opened up between the manufacturing and service sectors, however, with goods-producers and exporters struggling amid a deteriorating external environment and concerns regarding the impact of trade wars. The survey is consistent with the official measure of manufacturing production falling at an increased rate in March and hence acting as a drag on the economy in the first quarter.

"At the moment, the service sector appears to be holding up relatively well. But the worry is that manufacturing woes are spreading to service providers, via reduced demand for services such as transport and storage as well as deteriorating business optimism about the outlook – which fell to the lowest for nearly three years in March – and a cooling of the labour market. The survey showed hiring across both manufacturing and services hit the weakest for just under two years in March.

"Price pressures have meanwhile cooled alongside the slowdown. Input prices – a key leading indicator of inflation trends – rose at the slowest rate for two years."

-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 March data are published on April 1 for manufacturing and April 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 indictors 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.

About IHS Markit (www.ihsmarkit.com)
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.

About PMI
Purchasing Managers' Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to https://ihsmarkit.com/products/pmi.html.