

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

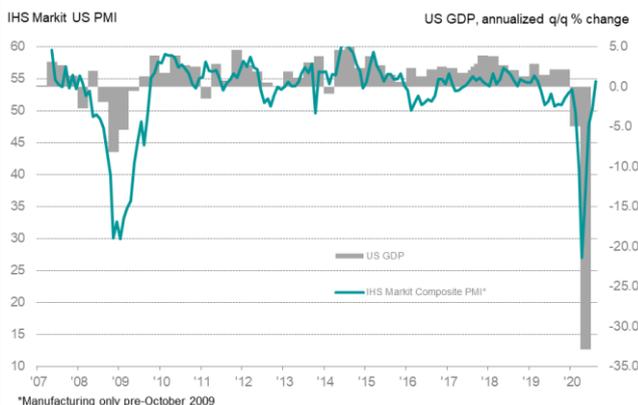
Strong expansion in U.S. private sector output in August

Key findings:

- Flash U.S. Composite Output Index at 54.7 (50.3 in July). 18-month high.
- Flash U.S. Services Business Activity Index at 54.8 (50.0 in July). 17-month high.
- Flash U.S. Manufacturing PMI at 53.6 (50.9 in July). 19-month high.
- Flash U.S. Manufacturing Output Index at 53.9 (51.7 in July). 19-month high.

Data collected August 12-20

IHS Markit Composite PMI and U.S. GDP



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

U.S. private sector firms signalled a strong upturn in business activity in August, with both manufacturers and service providers registering expansions. Notably, it marked the first rise in service sector activity since the start of the year, while goods manufacturers recorded the fastest increase in production since January 2019.

Adjusted for seasonal factors, the **IHS Markit Flash U.S. Composite PMI Output Index** posted 54.7 in August, up from 50.3 at the start of the third quarter and signalled a strong increase in output. Moreover, it marked the sharpest upturn in private

sector business activity since February 2019.

The composite index is based on original survey data from IHS Markit's PMI surveys of both services and manufacturing. August data continued to indicate a recovery in private sector business conditions following the coronavirus disease 2019 (COVID-19) induced downturn.

Driving the overall upturn in output was stronger client demand. Total new business rose for the first time since February and at a solid rate. Manufacturing firms registered a steeper expansion in new order inflows than in July, while service providers signalled a renewed increase in sales. Companies commonly stated that new business growth stemmed from increased marketing efforts and the resumption of client operations. The reopening of economies worldwide also helped to boost new export orders, with foreign sales expanding at the sharpest pace since September 2014.

Meanwhile, increased pressure on capacity and an associated upturn in outstanding business led to a further expansion of workforce numbers across private sector firms in August. The rate of job creation accelerated among service providers, with manufacturers indicating the first rise in staff numbers since February.

On the price front, the rate of input price inflation quickened in August, as firms suggested higher raw material costs had driven the steep increase in operating expenses. Although manufacturers raised their selling prices at a faster pace, the rate of charge inflation among service providers eased amid reports of greater competitive pressures.

Businesses remained optimistic towards the 12-month outlook for output, with the degree of confidence strong overall. That said, positive sentiment dipped slightly from July's recent high

amid concerns surrounding the ongoing COVID-19 pandemic.

IHS Markit Flash U.S. Services PMI™

The seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index** registered 54.8 in August, up from 50.0 in July, and signalled the first expansion in service sector business activity since the start of 2020. The rate of growth was the fastest since March 2019.

At the same time, greater client demand and increased marketing activity led to a renewed rise in overall new business. The solid rise in total sales was supported by a sharp uptick in new export orders.

Increased sales and an uptick in backlogs of work reportedly sparked a strong rise in workforce numbers midway through the third quarter. The rate of employment growth was the steepest since February 2019.

Despite a sharp and accelerated increase in cost burdens, competitive pressures led to a softer increase in selling prices.

Firms remained confident of an increase in activity over the coming year, despite the degree of optimism easing slightly from July.

IHS Markit Flash U.S. Manufacturing PMI™

Manufacturers signalled a solid improvement in operating conditions midway through the third quarter, as highlighted by the **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**¹ posting at 53.6 in August, up from 50.9 in July. The overall rate of improvement was the fastest since January 2019.

The uptick was driven by quicker expansions in output and new orders. Many goods producers stated that the resumption of business operations and the reopening of clients had helped to boost sales, with some also noting larger orders being placed by customers. Firms also recorded the first rise in foreign client demand since December 2019.

For the first time since February, manufacturers registered a rise in the level of work-in-hand (but not yet completed) in August. As a result, firms

indicated a renewed uptick in employment.

Meanwhile, the rate of input cost inflation accelerated notably in August to the fastest since January 2019. Manufacturers partially passed-on some of their costs to their clients through a solid rise in selling prices.

Finally, business confidence among manufacturing firms picked up in August amid hopes that client demand will continue to increase as economies start to reopen.

Comment

Commenting on the flash PMI data, **Siân Jones, Economist** at IHS Markit, said:

“August data pointed to a further improvement in business conditions across the private sector as client demand picked up among both manufacturers and service providers. Notably, the renewed increase in sales among service sector firms was welcome news following five months of declines.

“Encouragingly, firms signalled an accelerated rise in hiring, as greater new business inflows led to increased pressure on capacity. Some also mentioned that time taken to establish safe businesses practices had now allowed them to expand their workforce numbers.

“However, expectations regarding output over the coming year dipped slightly from July due to uncertainty stemming from the pandemic and the upcoming election.

“Meanwhile, cost burdens surged higher amid reports of greater raw material prices. Although manufacturers increased their selling prices at a faster rate to help compensate, service sector firms noted that competitive pressures and discounting to attract customers had stymied their overall pricing power.”

-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 surveys. No information from the ISM survey is used in the production of IHS Markit's PMI.

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Note to Editors:

Final August data are published on September 1 for manufacturing and September 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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IHS Markit (NYSE: 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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