News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0945 (EST) / 1445 (UTC) December 14th 2018

IHS Markit Flash U.S. PMI™

Private sector output expands at weakest pace since May 2017

Key findings:

- Flash U.S. Composite Output Index at 53.6 (54.7 in November). 19-month low.
- Flash U.S. Services Business Activity Index at 53.4 (54.7 in November). 11-month low.
- Flash U.S. Manufacturing PMI at 53.9 (55.3 in November). 13-month low.
- Flash U.S. Manufacturing Output Index at 54.3 (54.3 in November). Unchanged.

Data collected December 5-13

IHS Markit Composite PMI and U.S. GDP

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

U.S private sector output continued to increase at a solid pace in December, but a slowdown in the service economy contributed to the weakest overall growth for just over one-and-a-half years. The latest survey data also revealed a softer improvement in new order books and a further moderation in the rate of private sector job creation.

The seasonally adjusted **IHS Markit Flash U.S. Composite PMI Output Index** dropped from 54.7 in November to 53.6 in December, to signal the weakest expansion of private sector output since May 2017. A robust increase in manufacturing production growth was offset by a slowdown in service sector growth to its weakest for 11 months. 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.

Some survey respondents reported that heightened economic uncertainty and concerns about the near-term business outlook had contributed to more cautious spending among clients. As a result, the latest data pointed to another slowdown in new business growth, with the pace of expansion the weakest since April 2017.

Softer new order growth helped to alleviate pressures on operating capacity. This was highlighted by a stabilization in unfinished work at private sector firms in December, which ended a 17-month period of backlog accumulation. Meanwhile, staff recruitment lost momentum in the latest survey period. The overall rate of private sector job creation was the least marked since June 2017.

Lower oil-related costs contributed to the slowest rate of input price inflation since the start of the year. Manufacturers continued to report a much faster rate of input cost inflation than service sector companies, which was linked to stretched supply chain capacity and the impact of tariffs on raw material prices.

Private sector firms remain optimistic about their prospects for business activity over the next 12 months. However, the degree of positive sentiment dipped markedly in December to the weakest since June 2016. Some survey respondents cited concerns that a soft patch for the global economy had the potential to hold back client spending during the year ahead.

IHS Markit U.S. Services PMI™

At 53.4 in December, down from 54.7 in November, the seasonally adjusted **IHS Markit Flash U.S.**

Services PMI™ Business Activity Index was the lowest since January and signalled a relatively subdued rate of output growth in the service economy.

Moreover, the latest data signalled a further slowdown in new business growth at service sector firms. New work rose at the weakest pace since April 2017, which contributed to a fall in unfinished business for the first time in four months.

Service providers meanwhile indicated that rising pay pressures continued to push up their operating expenses in December. However, the latest rise in average cost burdens was the slowest for one year, which was linked to reduced transportation costs.

IHS Markit U.S. Manufacturing PMI™

Manufacturing production volumes increased solidly in December, with the rate of expansion unchanged since the previous month. There were nonetheless signs that the near-term outlook has become less favourable, as highlighted by a slowdown in new order growth to its weakest for just over one year.

Adjusted for seasonal influences, the **IHS Markit Flash U.S. Manufacturing *Purchasing Managers' Index*™ (*PMI*™)**[1] registered 53.9 in December, down from 55.3 in November, to signal the weakest overall improvement in operating conditions since November 2017. The fall in the headline PMI mainly reflected weaker contributions from new orders and employment growth at the end of the year.

The rate of manufacturing job creation was the softest since August 2017. More cautious staff hiring policies were partly due to a drop in business optimism to its lowest for 26 months, which a number of firms attributed to concerns about the outlook for the global economy. Some firms also commented on pressure on operating margins following a sustained period of rising raw material costs.

Comment

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

"The flash PMIs bring signs of the US economy ending 2018 on a softer note. With business activity expanding at the slowest rate for one and a half years, the surveys indicate that the pace of economic growth has faded to 2.0% in December, albeit closer to 2.5% for the fourth quarter as a whole.

"Importantly, although growth remains relatively robust, momentum is being lost and is likely to continue to fade as we move into 2019. New order inflows hit the lowest since April of last year and expectations regarding future business growth have slipped to the lowest for two-and-a-half years.

"The surveys reveal greater caution in relation to spending amid uncertainty about the economic outlook, linked in part to growing geopolitical concerns and trade wars."

"The weaker picture of current and future business growth has curbed appetite for hiring. Jobs growth inched down to the lowest for one and half years but remains consistent with non-farm payrolls rising in December by around 180,000.

"Price pressures have meanwhile cooled as lower oil prices feed through, yet rising tariffs remain a concern for many companies, keeping input cost inflation above the survey's long-run average."

-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 December data are published on January 2 for manufacturing and January 4 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.