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# IHS Markit U.S. Services PMI™

Including IHS Markit U.S. Composite PMI™

## Business activity expands at fastest pace on record amid marked uptick in client demand

### Key findings

Most marked upturns in output and new orders on record

Employment growth accelerates

Cost pressures strongest on record

Data were collected 12-27 April 2021.

April PMI™ data indicated a marked and unprecedented expansion in business activity across the U.S. service sector. Supporting the upturn in output was the fastest increase in new business on record. Pressure on capacity remained evident, as backlogs of work accumulated at a faster pace and employment rose at the second-sharpest rate on record. Some concerns regarding the sustainability of new order inflows weighed slightly on business confidence, although optimism remained relatively strong.

Meanwhile, input costs rose at the quickest rate since data collection began in October 2009 amid supplier price hikes. Firms partially passed on higher prices to their customers through the fastest rise in charges on record.

The seasonally adjusted final IHS Markit US Services PMI Business Activity Index registered 64.7 at the start of the second quarter, up from 60.4 in March and higher than the earlier released 'flash' figure of 63.1 to signal a marked increase in service sector business activity. The robust upturn in output was the sharpest since data collection began in late-2009. Many firms noted that the expansion was linked to stronger client demand and a rise in new sales. Some companies, however, stated that output has not yet recovered to pre-pandemic levels.

New business increased at the most marked pace on record in April, with the rate of expansion accelerating for the fourth month running. The upturn was commonly attributed to the relaxation of lockdown measures and further reopening of businesses, with client demand expanding.

At the same time, foreign demand conditions improved further at the start of the second quarter. The rise in new export sales

U.S. Services Business Activity Index  
sa, >50 = growth since previous month



Sources: IHS Markit.

was solid overall, and the fastest since September 2020.

In line with stronger new business growth, service providers expanded their workforce numbers at a sharp pace in April. With the exception of November 2020, the latest round of job creation was the fastest on record. Panellists also linked employment growth to increased pressure on capacity.

Reflective of greater strain on business capacity, backlogs of work were accumulated at the strongest pace since September 2020. Alongside substantial supplier delivery delays, firms stated that outstanding business rose following efforts by companies to take on as much work as possible following extensive lockdown restrictions.

On the price front, input costs faced by service sector firms increased at an unprecedented rate in April. The substantial rise in cost burdens was often linked to hikes in supplier prices and greater transportation fees. Companies particularly noted higher costs of plastic, packaging, PPE and fuel.

Subsequently, firms sought to pass on part of the hike in costs to clients through higher output charges. The rate of output price inflation accelerated for the fourth month running and was the steepest since data collection for the series began in October 2009.

Finally, service providers signalled upbeat expectations regarding the outlook for output over the coming 12 months. Although firms were confident following stronger client demand and easing lockdown restrictions, optimism moderated slightly amid concerns regarding the sustainability of demand.

## IHS Markit U.S. Composite PMI®

### Strongest expansion in private sector output on record in April

The IHS Markit Composite PMI Output Index\* posted 63.5 in April, up from 59.7 in March, to signal the sharpest upturn in private sector output since data collection began in October 2009. The overall expansion was supported by faster growth in both manufacturing and service sector activity.

Broad-based increases in client demand drove the latest marked upturn in new business. The rate of growth was the steepest on record. Meanwhile, new export sales rose at the fastest rate since data collection for the series began in September 2014.

At the same time, private sector firms registered unprecedented increases in input costs and output charges in April. Manufacturers signalled a faster rise in cost burdens than their service sector counterparts.

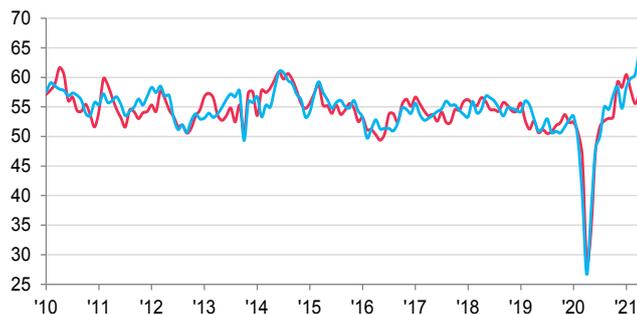
Companies indicated a sharp upturn in employment during April, amid a marked accumulation in backlogs of work. Pressure on capacity led to the second-strongest rise in workforce numbers on record.

Meanwhile, business confidence moderated slightly. Although historically elevated, the degree of confidence was weighed down by concerns regarding supply chain disruptions and potential strain on future operating capacity.

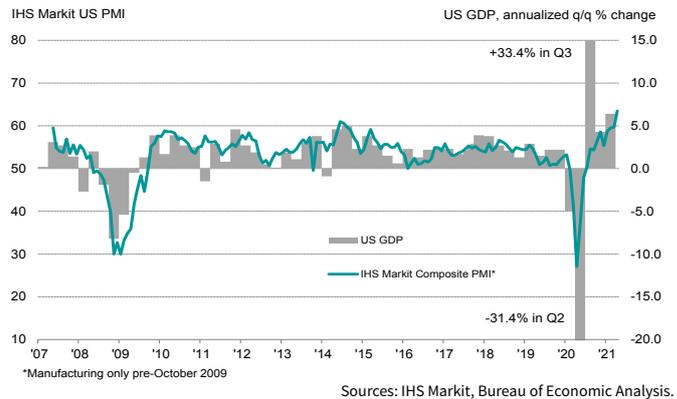
\*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The U.S. Composite Output Index is a weighted average of the U.S. Manufacturing Output Index and the U.S. Services Business Activity Index.

Services Business Activity Index  
 Manufacturing Output Index

sa, >50 = growth since previous month



Source: IHS Markit.



Sources: IHS Markit, Bureau of Economic Analysis.

### Comment

Commenting on the latest survey results, Chris Williamson, Chief Business Economist at IHS Markit, said:

“Thanks to the cocktail of a successful vaccine roll-out, the reopening of the economy, ultra-accommodative monetary policy and injection of fresh fiscal stimulus, businesses are reporting the strongest surge in demand seen for at least a decade.

“The upswing in demand has led to one of the strongest months of job creation yet recorded by the survey as business prepares for better times ahead.

“The biggest threat to the outlook remains new virus variants, which will inevitably mean international travel and associated business activity will stay under pressure for some time to come, but in the meantime the domestic economy is faring very well, especially consumer facing industries.

“Another concern is prices, with a record increase in service sector charges highlighting how inflationary pressures are by no means confined to the manufacturing sector. Indicators of price pressures and capacity constraints will need to be monitored closely to assess whether such price rises are transitory.”

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### Methodology

The IHS Markit U.S. Services PMI® is compiled by IHS Markit from responses to questionnaires sent to a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### Survey dates and history

April data were collected 12-27 April 2021.

Data collection began in October 2009.

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### Flash vs. final data

Flash services data were calculated from 85% of final responses. Flash composite data were calculated from 85% of final responses.

Since October 2009 the average difference between final and flash Services Business Activity Index values is 0.1 (0.4 in absolute terms). Since October 2009 the average difference between final and flash Composite Output Index values is 0.1 (0.4 in absolute terms).

### About IHS Markit

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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### 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.

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