

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

Service providers underpin quickest rise in private sector output since June 2018

Key findings:

- Flash U.S. Composite Output Index at 55.8 (54.4 in January). 8-month high.
- Flash U.S. Services Business Activity Index at 56.2 (54.2 in January). 8-month high.
- Flash U.S. Manufacturing PMI at 53.7 (54.9 in January). 17-month low.
- Flash U.S. Manufacturing Output Index at 53.7 (55.7 in January). 17-month low.

Data collected February 12-20

IHS Markit Composite PMI and U.S. GDP



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

Private sector output growth regained momentum in February, with a robust upturn in service sector activity more than offsetting the slowdown reported by manufacturing firms.

Survey respondents noted that improving domestic economic conditions had underpinned a sustained rebound in new business so far in 2019. Resilient client demand also helped to boost job creation in February, with private sector payroll numbers rising at the fastest pace since last September.

The seasonally adjusted **IHS Markit Flash U.S. Composite PMI Output Index** picked up from 54.4 in January to 55.8 in February, which signalled the strongest rate of private sector output since June 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.

Mirroring the trend for business activity, latest data pointed to a robust and accelerated rise in new work received by private sector firms. The rate of new business growth was the sharpest for four months, although still softer than the peak seen in the spring of 2018. Survey respondents suggested that sales to domestic clients had been supported by improving underlying demand and expectations of stronger economic conditions in the near-term.

Backlogs of work were accumulated for the second month running in February, with the latest rise in unfinished business the steepest since May 2018. Renewed pressure on operating capacity encouraged an expansion of workforce numbers at private sector companies. Moreover, the rate of employment growth accelerated sharply from the 19-month low seen in January.

Despite recording stronger rises in output, new work and employment, latest data indicated that business optimism softened slightly since January. Subdued business expectations were partly linked to worries about the global economic outlook, with U.S. manufacturers recording a particularly marked drop in confidence during the latest survey period.

Meanwhile, input cost inflation remained much softer than seen on average in the final quarter of 2018. Where an increase in cost burdens was reported, this was often attributed to the impact of trade tariffs on prices for imported materials.

IHS Markit U.S. Services PMI™

A robust and accelerated increase in service sector output was the main area of strength signalled by survey respondents in February. At 56.2, up from 54.2 in January, the seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index** indicated the sharpest upturn in activity since June 2018.

Service providers commented on higher levels of business and consumer spending during February, as highlighted by the strongest overall expansion of incoming new work since last September.

Latest data pointed to the steepest increase in backlogs of work for just over four years. Greater pressure on business capacity also led to a rebound in job creation to its sharpest for five months in February.

On a less positive note, input cost inflation accelerated from the near two-year low seen at the start of 2019. Higher operating expenses and improving demand conditions contributed to another solid increase in average prices charged by service sector firms.

IHS Markit U.S. Manufacturing PMI™

In contrast to the stronger trends reported by service providers, the latest survey signalled a loss of momentum across the manufacturing sector.

Adjusted for seasonal influences, the **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**¹ dipped to 53.7 in February from 54.9 in January, to signal the slowest improvement in business conditions since September 2017.

Anecdotal evidence from survey respondents cited a soft patch for client demand, partly linked to uncertainty across manufacturing supply chains and concerns about the global trade outlook. There were also some reports that adverse weather conditions had disrupted production schedules in February.

Despite a slowdown in production and new order growth, latest data signalled another solid upturn in manufacturing employment. Moreover, input buying continued to rise at a relatively strong pace in February, which added to signs that manufacturers remain firmly in expansion mode.

Meanwhile, input price inflation eased for the fourth month running and reached its lowest since August 2017. Survey respondents still noted that trade tariffs had pushed up the cost of imported materials, although there were some reports that prices charged by domestic steel producers had begun to moderate.

Comment

Commenting on the flash PMI data, **Tim Moore, Associate Director** at IHS Markit said:

“February data provides a positive signal for first quarter economic growth, with US businesses reporting the fastest output expansion since the middle of 2018. Service sector firms led the way, supported by solid improvements in business and consumer spending. Private sector payroll numbers increased to the greatest extent for five months, which adds to hopes that robust domestic demand will act as a growth tailwind over the near-term.”

“Historical comparisons suggest the latest survey data are indicative of an underlying economic growth rate of around 2.5% annualized, although the PMI is designed to monitor private sector companies so the impact of the government shutdown may not be fully captured.”

“The main worrying development was the loss of momentum reported by manufacturing companies in February. Businesses that experienced a soft patch for production cited a range of factors holding back growth, including adverse weather, worries about the global economic outlook and ongoing international supply chain uncertainty.”

“Nonetheless, relatively strong domestic business conditions mean that US manufacturers remain on a much more positive trajectory than the recent downbeat production trends signalled by IHS Markit's Manufacturing PMI surveys across Europe and Asia.”

-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 February data are published on March 1 for manufacturing and March 5 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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