

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0945 (EDT) / 1345 (UTC) July 6th 2017

IHS Markit U.S. Services PMI™ – final data (with composite PMI™)

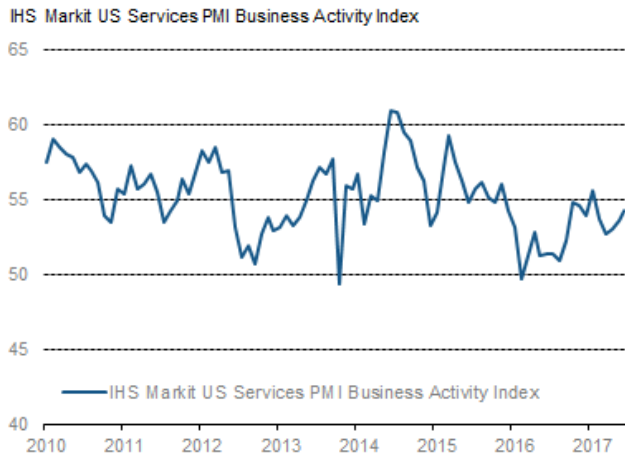
Business activity growth accelerates further in June

Key findings:

- Strongest expansion in business activity since January
- New order growth also at five-month high
- Input prices rise at fastest pace in two years

Data collected June 12-27

Service sector business activity (seasonally adjusted)



Source: IHS Markit.

Business activity in the US service sector increased at the fastest pace since January in June, according to the latest survey data. Meanwhile, accelerations in new order and employment growth supported increased optimism in the sector. On the price front, input price inflation was the fastest since June 2015, while output charges rose at the strongest pace in the current 16-month sequence of inflation.

The seasonally adjusted **IHS Markit U.S. Services Business Activity Index** registered 54.2 in June,

up from 53.6 in May. This signalled a third month of accelerated growth in business activity among US service providers. Panellists linked growth to increased new orders and strong client demand. Overall, activity during the second quarter expanded at a solid pace that was only fractionally softer than that seen in the first quarter.

June data signalled a further upturn in new order volumes placed at US service providers. Furthermore, the rate of expansion was the quickest seen since January. Anecdotal evidence suggested that higher demand from new and existing clients drove the upturn.

The trend of cost inflation, which stretches back to October 2009, was extended further in June. Notably, input prices increased at a solid rate that was the quickest in two years. Many respondents linked input price inflation to higher raw material and staffing costs.

Average prices charged by US service providers rose for the sixteenth consecutive month in June. The pace of increase in output prices was the fastest in the current sequence of inflation and solid. Panellists linked the latest increase in prices to greater cost burdens and stronger demand.

Employment growth in the US services sector remained strong in June. The pace of job creation was the quickest since February, with anecdotal evidence suggesting that additional workers were hired due to increased operating capacity requirements.

The level of outstanding work was broadly unchanged in June. This followed a marginal upturn in backlogs during the previous month.

The degree of optimism among firms in the US services sector increased in June, with confidence at the second-strongest level since May 2015. Positive expectations for future activity were largely attributed by panellists to strengthening underlying demand and planned business expansion.

IHS Markit Final U.S. Composite PMI™

The final seasonally adjusted **IHS Markit U.S. Composite PMI™ Output Index** rose to 53.9 in June, up from 53.6 in the previous month.

Although the composite figure picked up in June, the rate of growth remained historically muted. Nonetheless, the average pace of expansion indicated over the first half of the year was faster than that seen during the same period last year.

The rate of growth in the services sector was stronger than the manufacturing sector for the first time since June 2016, according to latest survey data.

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.

Comment

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

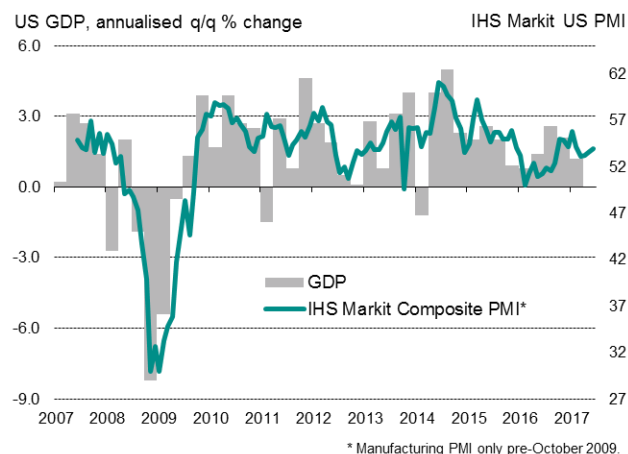
“The final PMI numbers came in higher than the initial flash reading and provide news of a welcome uptick in the pace of growth in the vast services economy at the end of the second quarter.

“The services data follow news from the sister manufacturing survey showing steady but unspectacular growth in US factories.

“Looking at the combined performance of manufacturing and services, output, order books and employment all gained momentum in June, and average prices charged for goods and services rose at the fastest rate for nearly three years.

“However, the average all-sector PMI reading for the second quarter is down slightly on the first quarter, suggesting that the underlying pace of economic growth remains somewhat subdued though still robust. The surveys are historically consistent with annualised GDP growth of just over 2%. Actual GDP data are expected to show a stronger rebound, though largely reflecting volatile quarterly seasonal variations in the official data.”

IHS Markit Composite PMI and U.S. GDP



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

-Ends-

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Note to Editors:

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 originally began collecting monthly PMI data in the U.S. service sector in October 2009.

The final U.S. Services PMI follows on from the flash estimate which 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.

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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