

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0945 (EST) / 1445 (UTC) December 14th 2017

IHS Markit Flash U.S. PMI™

Service sector slowdown contrasts with stronger manufacturing performance in December

Key findings:

- Flash U.S. Composite Output Index at 53.0 (54.5 in November). 9-month low.
- Flash U.S. Services Business Activity Index at 52.4 (54.5 in November). 15-month low.
- Flash U.S. Manufacturing PMI at 55.0 (53.9 in November). 11-month high.
- Flash U.S. Manufacturing Output Index at 55.7 (54.5 in November). 11-month high.

Data collected December 5-13

IHS Markit Composite PMI and U.S. GDP



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

December data pointed to divergent trends across the U.S. private sector economy, with a slowdown in services growth more than offsetting a robust and accelerated upturn in manufacturing output. As a result, the seasonally adjusted **IHS Markit Flash U.S. Composite PMI Output Index** dropped to 53.0 in December, from 54.5 in November.

The latest reading signalled the weakest expansion of private sector business activity since March. Manufacturing production expanded at the fastest

pace since January, while service sector output growth eased to a 15-month low.

A similar easing in **new business** growth was seen across the private sector economy in December. Resilient client demand and a modest rise in **backlogs of work** nevertheless encouraged firms to expand their operating capacity, as highlighted by another solid rise in **payroll numbers** at the end of 2017.

Input price inflation eased to a nine-month low during December, but the overall trend masked a steep and accelerated rise in manufacturers' cost burdens. The latest increase in input prices across the manufacturing sector was the fastest for exactly five years.

Meanwhile, **prices charged inflation** eased in December, with both manufacturing companies and service providers recording slower rises in their average charges.

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.

IHS Markit U.S. Services PMI™

At 52.4 in December, down from 54.5 in November, the seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index¹** signalled the slowest upturn in service sector activity since September 2016.

Subdued business activity growth reflected a further loss of momentum for **new order intakes**. The latest increase in incoming new business was the

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 Non-Manufacturing Report on Business. No information from the ISM survey is used in the production of IHS Markit's PMI.

least marked since April.

Job creation eased to a seven-month low in December, which survey respondents linked to softer new business growth and a moderation in confidence regarding the year ahead outlook. Latest data indicated that **business optimism** across the service sector eased for the second month running to its weakest since June 2016.

Input price inflation remained relatively subdued in December, with the latest rise in average cost burdens the slowest for nine months. **Prices charged inflation** also moderated since November.

IHS Markit U.S. Manufacturing PMI™

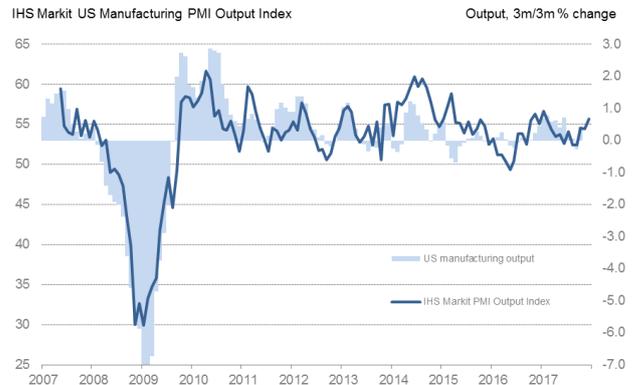
U.S. manufacturers experienced a robust and accelerated improvement in business conditions during December. At 55.0, up from 53.9 in November, the seasonally adjusted **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**² signalled the strongest upturn in operating conditions since January.

December data pointed to sharper increases in **production, new orders** and **employment**. Anecdotal evidence suggested that greater domestic demand was a key driver of manufacturing growth at the end of the year. A number of firms also cited efforts to boost operating capacity at their plants, which led to the steepest rise in payroll numbers since September 2014.

Business optimism picked up for the third month running in December. The degree of positive sentiment was also the strongest since January 2016. Survey respondents widely commented on hopes of a sustained upturn in sales volumes over the year ahead, supported by new product launches and investment in additional plant capacity.

Meanwhile, higher prices for raw materials resulted in the strongest rate of **input cost inflation** since December 2012. There were signs that manufacturers had absorbed part of the rise in average cost burdens, as highlighted by a slower increase in **factory gate charges** in December.

Manufacturing output



Sources: IHS Markit, U.S. Federal Reserve.

Comment

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

“The flash PMI surveys brought a mixed bag of news. While manufacturing is ending 2017 with the wind in its sails, the service sector is struggling in the doldrums by comparison.”

“In manufacturing, faster output and order book growth encouraged firms to add factory workers at the fastest rate for over three years, painting a bright picture of the goods-producing sector expanding capacity in response to resurgent demand.”

“In contrast, service sector activity grew at its weakest rate for over a year, taking job creation to its lowest since May.”

“Similar divergences were seen in relation to future growth, with business expectations picking up in manufacturing to a near-two-year high but waning markedly in services to the lowest for one and a half years.”

“With services representing a far greater portion of the economy than manufacturing, the overall picture is therefore one of the manufacturing sector’s exuberance being overshadowed by the gloomier service sector.”

“Measured overall, the surveys point to the economy growing at a modest annualised rate of just over 2% in the fourth quarter.”

-Ends-

² 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. No information from the ISM survey is used in the production of IHS Markit’s PMI.

For further information, please contact:**IHS Markit**

Tim Moore, Associate Director
Telephone +44-1491-461-067
Email tim.moore@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44207 260 2234
E-mail joanna.vickers@ihsmarkit.com

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 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.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge 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 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners © 2017 IHS Markit Ltd. All rights reserved. If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, [click here](#).

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 www.markit.com/economics.

The intellectual property rights to the Flash U.S. PMI™ provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd.