

# News Release

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
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## Markit U.S. Services PMI™ – final data (with composite PMI™)

### Weaker rise in service sector business activity in May

**Key points:**

- Service providers indicated slower activity and new business growth
- Weakest rise in payroll numbers since January 2015
- Business optimism eases to a post-crisis low in May

**Markit U.S. Services PMI Business Activity Index**



Source: Markit.

U.S. service providers recorded an upturn in business activity for the third successive month during May, but the pace of expansion slowed since April and remained weaker than seen on average since the survey began in late-2009. At the same time, softer new business growth and reduced confidence regarding the year-ahead outlook contributed to a further moderation in job creation across the service sector.

The seasonally adjusted final **Markit U.S. Services Business Activity Index** posted 51.3 in May, down from 52.8 in April and well below the post-crisis average (55.6). Although signalling a further overall expansion in business activity, the latest reading was only marginally above the 50.0 no-change threshold. Survey respondents linked sluggish growth to weak spending patterns among clients

and subdued underlying economic conditions.

The final seasonally adjusted **Markit U.S. Composite PMI™ Output Index** dropped from 52.4 in April to 50.9 in May, to signal the slowest expansion of private sector output since February.

Higher levels of service sector activity (index at 51.3) contrasted with a slight reduction in manufacturing production during May (index at 49.4).

**Markit U.S. Composite PMI™ Output Index**



Source: Markit, US. Bureau of Economic Analysis.

In line with the trend for business activity, the latest survey highlighted a renewed slowdown in new business growth across the service sector in May. Moreover, the rise in new work was one of the weakest recorded since the start of 2015. Relatively subdued client spending provided firms with the opportunity to clear backlogs of work in May. Lower volumes of work outstanding have now been recorded for ten months running, which is the longest continuous period since the survey began.

Reduced pressure on operating capacity and weaker new business growth acted as a brake on job hiring in May. Weaker employment growth has now been recorded in three of the past four months,

with the latest expansion in payroll numbers the slowest since January 2015. While firms continued to cite new product launches and long-term expansion plans as factors driving job creation, there were also reports that less favourable market conditions had led to more cautious hiring strategies.

May data highlighted a renewed fall in business confidence across the service sector. Moreover, the degree of optimism was the weakest since the survey began in October 2009. Survey respondents cited a range of factors weighing on business sentiment, including subdued new business growth, heightened uncertainty related to the presidential election cycle and general concerns about the economic outlook.

Meanwhile, the latest survey pointed to an accelerated pace of input cost inflation in May, which continued the general pattern seen so far in 2016. Higher fuel bills, commodity prices and food costs were mentioned in particular. Average prices charged by service providers increased only marginally in May, although the latest increase was still the fastest recorded since November 2015.

#### **Comment:**

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

*“The service sector reported one of the weakest expansions seen since the recession in May, adding to signs that any rebound of the economy in the second quarter may be disappointingly muted.*

*“With optimism about the business outlook dropping to a new post-crisis low, companies are expecting conditions to remain challenging in coming months, citing uncertainty about the presidential election as well as broader worries about weak demand at home and abroad.*

*“Add these disappointing service sector numbers to the downturn now being seen in manufacturing, and the PMI surveys point to GDP growing at an annualised rate of just 0.7-8% in the second quarter, notwithstanding any marked change in June.*

*“The slowdown and further drop in optimism continued to cause companies to pull-back on recruitment, with the survey signalling just under 130,000 extra jobs being created in May, driven entirely by the service sector.”*

- Ends -

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#### **Note to Editors:**

The U.S. Services *PMI*<sup>™</sup> (*Purchasing Managers' Index*<sup>™</sup>) is produced by Markit and is based on original survey data collected from a representative panel of over 400 companies based in the U.S. service sector. 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 Markit U.S. Services PMI complements the Markit U.S. Manufacturing PMI and enables the production of the 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 percentage of positive responses plus a half of the percentage 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.

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 Markit. Please contact [economics@markit.com](mailto:economics@markit.com).

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#### **About PMI**

Purchasing Managers' Index™ (PMI™) surveys are now available for over 30 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](http://www.markit.com/economics).

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