

## News Release

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
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### Markit Flash U.S. Services PMI™

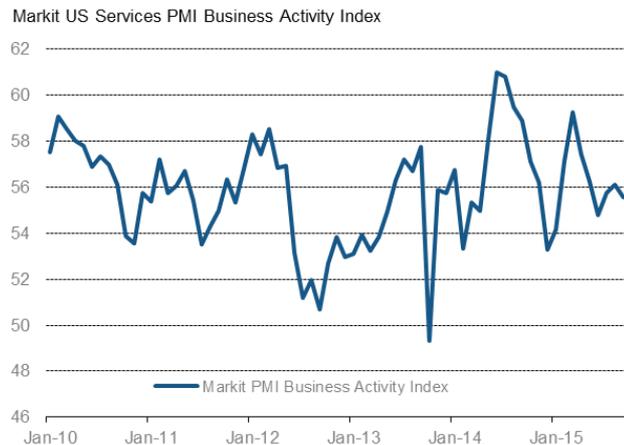
#### Slower service sector growth and weaker cost inflation contributes to sharpest fall in prices charged for almost five years

##### Key points:

- Business activity rises in September, but pace of expansion weakens to three-month low
- Service sector confidence remains close to its lowest for three years
- Average prices charged decline for the second month running

Data collected 11 – 24 September.

##### Service sector business activity (seasonally adjusted)



Sources: Markit

The seasonally adjusted **Markit Flash U.S. Services PMI™ Business Activity Index<sup>1</sup>** signalled a slight loss of momentum across the service economy in September. At 55.6, down from 56.1 in August, the headline index – which is based on approximately 85% of usual monthly replies – remained comfortably above the 50.0 no-change threshold, but pointed to the slowest rate of output expansion since June.

Survey respondents noted that improving domestic economic conditions continued to support business

activity growth during September, especially among consumer-focused service providers. However, anecdotal evidence also suggested that some clients had delayed committing to new projects amid heightened uncertainty regarding the business outlook. Reflecting this, latest survey data indicated a slowdown in overall **new business growth** for the second month running, which brought the pace of expansion down to its weakest since January.

Softer growth of new work contributed to a decline in **unfinished business** for the third time in the past four months. Although only modest, the latest reduction in backlogs was the fastest since April 2014, suggesting a general lack of pressure on operating capacity. Meanwhile, **payroll numbers** increased at the slowest pace for three months in September, but the rate of staff hiring was still robust in comparison to the post-crisis average.

Looking ahead, service providers remain optimistic overall about their prospects for **business activity during the next 12 months**. Anecdotal evidence cited expectations of improving consumer demand and supportive economic conditions. However, the balance of firms expecting a rise in business activity eased further from May's recent peak and was the second-lowest since June 2012.

**Input price inflation** dropped to its lowest for seven months in September, which service providers mostly attributed to the influence of decreased fuel costs. Reduced cost pressures, alongside strong competition for new work, contributed to a fall in average tariffs for the second month running (representing the first back-to-back decline since the survey began in late-2009). Although only modest, the latest reduction in service sector charges was the fastest since November 2010.

##### Markit Flash U.S. Composite PMI™

At 55.3 in September, down from 55.7 in August, the seasonally adjusted **Markit Flash U.S. Composite PMI Output Index** posted above the

<sup>1</sup> Please note that Markit's PMI data, flash and final, are derived from information collected by 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 Markit's PMI.

neutral 50.0 mark for the twenty-third month running and indicated a robust pace of expansion. The latest reading was nonetheless the lowest since June, as a weaker contribution to growth from services activity offset a stronger expansion of manufacturing production ('flash' output at 54.3 in September, up from 53.8 in August).

Looking beyond the headline output index, latest composite data also highlighted a further reduction in average prices charged by U.S. private sector companies. At 48.8 in September, the seasonally adjusted index was down from 49.9 in August and the lowest since this series began in October 2009.

The composite index is based on original survey data from the Markit U.S. Services PMI and the Markit U.S. Manufacturing PMI.

**Comment:**

Commenting on the flash PMI data, **Chris Williamson, chief economist at Markit** said:

*"The survey data point to sustained steady expansion of the US economy at the end of the third quarter, but various warning lights are now flashing brighter, meaning growth may continue to weaken in coming months.*

*"Although the surveys suggest the economy expanded at a 2.2% annualised rate in the third quarter, growth slowed in September and could weaken further in coming months. Business optimism slumped to one of the lowest levels seen since the global financial crisis, inflows of new business rose at the weakest rate for eight months and job creation slipped to a six-month low. Growth is also becoming increasingly reliant on the services economy as manufacturers struggle against the strong dollar and weak demand in export markets.*

*"Average prices charged for goods and services are falling at the fastest rate seen since the survey began in late-2009, suggesting consumer price inflation will weaken in coming months.*

*"With growth slowing, warning lights flashing and charges falling at the fastest rate for at least six years, the survey data play into the hands of dovish policymakers and will reduce the odds of interest rates rising any time soon."*

-Ends-

**Markit Composite PMI and U.S. GDP**



Source: Markit, U.S. Bureau of Economic Analysis.

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## Note to Editors:

Final September data are published on 5 October 2015.

The U.S. Services PMI™ (*Purchasing Managers' Index*™) 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 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 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 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.

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).

### About Markit

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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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