IHS Markit

# News Release

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

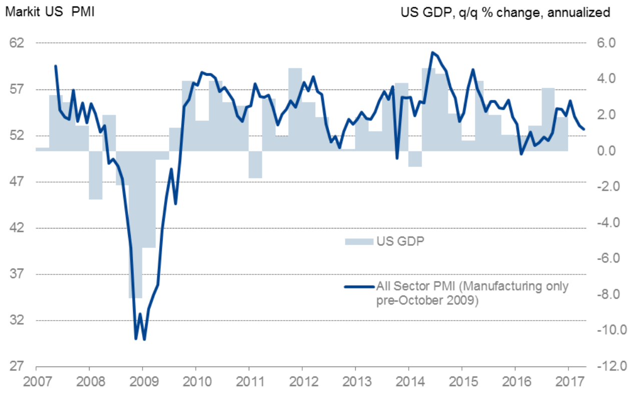
## U.S. private sector growth eases to seven-month low in April

**Key findings:**

- Flash U.S. Composite Output Index at 52.7 (53.0 in March). 7-month low.
- Flash U.S. Services Business Activity Index at 52.5 (52.8 in March). 7-month low.
- Flash U.S. Manufacturing PMI at 52.8 (53.3 in March). 7-month low.
- Flash U.S. Manufacturing Output Index at 53.4 (54.3 in March), 7-month low.

Data collected April 11-20

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




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

At 52.7 in April, down from 53.0 in March, the seasonally adjusted **Markit Flash U.S. Composite PMI Output Index** signalled a further slowdown in private sector output growth. The latest reading pointed to the weakest rate of expansion since September 2016.

The moderation in private sector growth reflected a loss of momentum in both the service economy ('flash' index at 52.5 in April) as well as the manufacturing sector ('flash' index at 53.4).

April data also revealed the weakest rise in private sector payroll numbers since February 2010, driven by a softer pace of staff hiring among service providers.

There were signs of a squeeze on operating margins in April, as input price inflation reached its strongest since June 2015. At the same time, prices charged by U.S. private sector firms increased only marginally and at the slowest pace since November 2016.

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

## Markit Flash U.S. Services PMI™

Growth of business activity across the service sector continued to moderate from the 14-month peak seen in January. This was highlighted by a fall in the seasonally adjusted **Markit Flash U.S. Services PMI™ Business Activity Index**[1] to 52.5, from 52.8 in March. The latest reading was above the 50.0 no-change value, but signalled a weaker rate of business activity growth than the post-crisis average (55.3).

New business growth remained moderate in April, although the latest upturn was stronger than the 12-month low seen in March. April's survey suggested a lack of pressure on operating capacity, as backlogs of work declined for the third month running.

Subdued demand growth and lower volumes of incomplete work acted as a brake on staff hiring in April. The latest rise in employment numbers was only marginal and the weakest since July 2010.

Service providers nonetheless remain upbeat about their prospects for growth over the next 12 months. The degree of positive sentiment picked up to its strongest for three months in April.

[1] 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.



compiled by markit

Meanwhile, cost pressures intensified at the start of the second quarter. The latest increase in input prices was the fastest since June 2015, but average charges across the service sector rose at the slowest pace for five months.

## Markit Flash U.S. Manufacturing PMI™

Manufacturing growth outpaced the trend recorded across the service economy in April, but was also the slowest seen since September 2016.

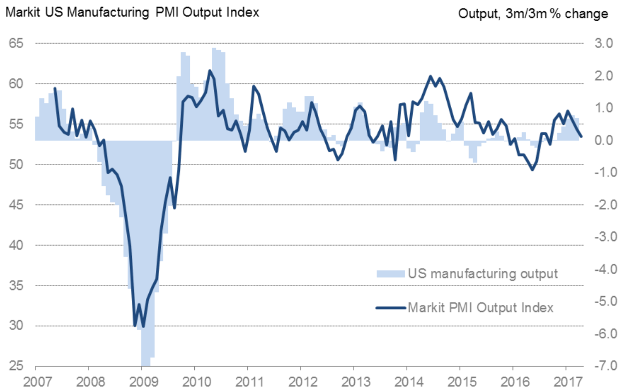
The headline seasonally adjusted **Markit Flash U.S. Manufacturing *Purchasing Managers' Index*™ (*PMI*™)**[2] registered 52.8, down from 53.3 in March. This indicated another moderation in manufacturing growth from the near two-year peak seen in January.

Slower rates of output and new order growth were the main factors that weighed on the headline index in April. The main positive development was a slight rebound in manufacturing job creation from the seven-month low seen during March.

Manufacturers were more cautious in terms of their pre-production inventories in April. The decline in stocks of inputs ended a six-month period of sustained inventory building.

April data signalled a sharp and accelerated rise in average cost burdens across the manufacturing sector. The rate of input cost inflation was the fastest since December 2013, which survey respondents linked to rising commodity prices (particularly metals). Meanwhile, pressure on margins from higher input costs contributed to the strongest increase in factory gate charges for almost two-and-a-half years.

**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 PMI data suggest the US economy lost further momentum at the start of the second quarter. The surveys are signalling a GDP growth rate of 1.1% after 1.7% in the first quarter.*

*"The vast services economy saw the weakest monthly expansion for seven months and the manufacturing sector showed signs of growth slowing further from the two-year high seen at the start of the year, despite export orders lifting higher.*

*"The labour market also continued to soften. The surveys signalled a marked step-down in the pace of hiring in March which has continued into April. The latest survey data are consistent with only around 100,000 non-farm payroll growth.*

*"The survey responses indicate that some froth has come off the economy since the post-election bounce seen at the end of last year. However, with inflows of new business picking up slightly in April and business optimism about the year ahead also brightening, there's good reason to believe that growth could revive again in coming months."*

-Ends-

[2] 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 Report on Business. No information from the ISM survey is used in the production of Markit's PMI.

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## Note to Editors:

Final April data are published on May 1 for manufacturing and May 3 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 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 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.

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, Markit's U.S. PMI research was extended out to cover producers of metal goods. In October 2009, Markit's U.S. Manufacturing PMI survey panel was extended further to cover all areas of U.S. manufacturing activity. Back data for 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. 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 indictors 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@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.



**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.