

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 0945 (EST) / 1445 (UTC) January 24<sup>th</sup> 2018**

## IHS Markit Flash U.S. PMI™

### Manufacturers report strong start to 2018, but service sector growth eases again

#### Key findings:

- Flash U.S. Composite Output Index at 53.8 (54.1 in December). 8-month low.
- Flash U.S. Services Business Activity Index at 53.3 (53.7 in December). 9-month low.
- Flash U.S. Manufacturing PMI at 55.5 (55.1 in December). 34-month high.
- Flash U.S. Manufacturing Output Index at 56.2 (55.9 in December). 12-month high.

Data collected January 12-23

#### IHS Markit Composite PMI and U.S. GDP



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

January data indicated another solid expansion of U.S. private sector business activity, underpinned by the fastest rise in new work for five months. Manufacturing production continued to increase at a much faster pace than service sector activity.

At 53.8 in January, down from 54.1 in December, the seasonally adjusted **IHS Markit Flash U.S. Composite PMI Output Index** signalled the least marked rate of business activity expansion since May 2017. Nonetheless, the headline index has

now posted above the 50.0 no-change threshold for 23 consecutive months.

Slower private sector output growth reflected the weakest rise in **services activity** for nine months. In contrast, **manufacturers** experienced one of the strongest rates of production growth since the first quarter of 2015, supported by improving domestic sales and sustained inventory building in January.

The latest survey revealed a robust and accelerated upturn in **new order books** across the private sector economy. Survey respondents attributed greater sales to improved business and consumer confidence. Manufacturers signalled the second-fastest expansion of incoming new work since March 2015.

**Payroll numbers** continued to increase at the start of 2018. The latest upturn marked eight years of sustained job creation across the private sector economy. **Input price inflation** meanwhile intensified in January, with the latest rise in cost burdens the fastest since September 2017. A number of firms cited higher fuel, energy and oil-related costs during the latest survey period.

Private sector companies indicated a rebound in **business confidence** from the 15-month low seen during December. Greater business optimism was mainly linked to rising new order volumes and hopes of a sustained improvement in domestic economic conditions.

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™

The seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index** registered 53.3 in January, down slightly from 53.7

in December, to signal the slowest rise in service sector output since April 2017.

Despite weaker business activity growth, latest data revealed a robust and accelerated upturn in **new work** received by service providers. A number of survey respondents commented on signs of improved client demand and greater willingness to spend among consumers.

January data pointed to a solid increase in **staffing numbers** across the service economy, which survey respondents linked to long-term expansion plans and improved business confidence. That said, the rate of job creation eased slightly since December and was the least marked for seven months.

**Input cost inflation** accelerated to a four-month high during January. Greater operating expenses resulted in another solid rise in average prices charged by service providers.

Meanwhile, service sector **business confidence** picked up to its strongest for three months in January. Optimism regarding the year ahead outlook was linked to rising volumes of new work and the improving economic backdrop.

## IHS Markit U.S. Manufacturing PMI™

Manufacturers reported a strong start to 2018, with **production volumes** and **incoming new work** both rising at faster rates than seen at the end of last year. At the same time, export sales expanded to the largest degree since August 2016.

More favourable demand conditions encouraged another robust rise in **employment numbers**, although the rate of job creation eased slightly from December's 39-month peak.

Adjusted for seasonal influences the headline **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**<sup>1</sup> rose to 55.5 in January, from 55.1 in December. The latest reading pointed to the sharpest improvement in manufacturing business conditions since March 2015.

**Input buying** also increased at the fastest pace since early-2015, driven by rising production and efforts to build inventories across the manufacturing sector. The latest increase in **stocks of purchases**

was the strongest since January 2017.

Reports from survey respondents suggested that adverse weather conditions and stretched operating capacity had led to **longer delivery times from suppliers** at the start of the year.

Meanwhile, **input cost inflation** remained strong across the manufacturing sector, which contributed to the joint-fastest rise in **factory gate prices** since December 2013.

## Comment

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

*"January saw an encouraging start to the year for the US economy. Business activity across the manufacturing and service sectors continued to expand, driving further job gains as companies expanded capacity. Manufacturing is faring especially well, in part thanks to the weaker dollar, providing an important spur to the economy at the start of the year."*

*"Although the overall pace of economic growth signalled by the surveys waned to an eight-month low, the forward-looking indicators suggest the slowdown will prove transitory. In particular, business optimism about the year ahead improved markedly and inflows of new orders hit a five-month high. Growth should therefore pick up again in coming months."*

*"Inflationary pressures meanwhile kicked higher, with January seeing the second-largest monthly increase in input costs since 2015. Higher oil prices were widely reported but, more generally, stronger demand is also helping companies push through price hikes."*

-Ends-

<sup>1</sup> 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 and the ISM Non-Manufacturing Report on Business. No information from the ISM survey is used in the production of IHS Markit's PMI.

## Manufacturing output



Sources: IHS Markit, U.S. Federal Reserve

### For further information, please contact:

#### IHS Markit

Tim Moore, Associate Director  
 Telephone +44-1491-461-067  
 Email [tim.moore@ihsmarkit.com](mailto:tim.moore@ihsmarkit.com)

Joanna Vickers, Corporate Communications  
 Telephone +44207 260 2234  
 E-mail [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

### Note to Editors:

Final January data are published on February 1 for manufacturing and February 5 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](mailto:economics@ihsmarkit.com).

**About IHS Markit ([www.ihsmarkit.com](http://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 © 2018 IHS Markit Ltd. All rights reserved. If you prefer not to receive news releases from IHS Markit, please email [joanna.vickers@ihsmarkit.com](mailto: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 <https://ihsmarkit.com/products/pmi.html>.

**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.**