

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

### March sees slowest growth of US service sector for six months

#### Key findings:

- Demand reported to be rising at slower rate
- Companies able to comfortably deal with new and existing business
- Modest expansion of payroll numbers

Data collected March 13-28

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



Source: IHS Markit.

Growth of the US service sector was maintained during March, albeit to a lesser degree than in the previous month as volumes of incoming business rose at a slower rate. Companies were subsequently able to make some further inroads into their work outstanding, with these efforts supported by a modest increase in payroll numbers.

Latest data also showed input costs rising at a solid rate, although a desire to strengthen profitability meant higher costs were passed onto clients wherever possible.

The seasonally adjusted **Markit U.S. Services Business Activity Index** remained above the 50.0 no-change mark in March to extend the current period of growth to 13 months. However, the index continued to fall from January's recent peak,

reaching a six-month low of 52.8 (February: 53.8).

Activity was supported through work on both new and existing business. Levels of new orders rose again in March, although the rate of growth was modest and the slowest recorded for a year. While demand for services continued to increase, according to panellists it did so at a slower rate compared to earlier in the year.

Service providers were able to cope successfully with the dual demands of working on new and existing business. This was evidenced by a decline in work outstanding for a second successive month. Although modest, the degree to which backlogs were reduced was the sharpest recorded by the survey for nine months.

Jobs growth was also sustained in March, although in line with slower expansions in new business and activity, the degree to which payroll numbers rose was modest. Latest data indicated that the net increase was actually the weakest recorded by the survey since last October.

Operating costs continued to increase during March, with inflation underpinned by rises in labour costs and higher prices for basic materials and food products. The overall increase in input costs was solid, and slightly higher than the pace seen in February.

Companies subsequently sought to pass on higher costs to their clients and this was reflected by a further (albeit modest) rise in average output charges.

Finally, US service providers are on average expecting to record an increase in activity over the coming year. Moreover, confidence strengthened a little since February. Planned new product launches and better business conditions should bolster sales, according to panellists.

#### Markit Final U.S. Composite PMI™

The final seasonally adjusted Markit U.S. Composite PMI™ Output Index eased to 53.0 during March, down from a reading of 54.1 in the

previous survey period.

Although solid, the latest increase in output was the lowest recorded for six months. The slowdown reflected a similar easing of growth in levels of incoming new business (also the weakest in six months). Both the manufacturing and service sectors recorded slower increases in production and new business during March.

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 PMI data, **Chris Williamson, Chief Business Economist at IHS Markit** said:

*“The March PMI numbers add to the picture of a relatively modest opening quarter to 2017 for the US economy. The surveys of manufacturing and services are running at levels consistent with GDP expanding by 1.7% in the first quarter.*

*“Growth of business activity appears to have peaked in January, sliding to a six-month low in March.*

*“The loss of momentum is linked to weaker inflows of new work, with the surveys providing some evidence that demand is being dented in part by higher prices.*

*“However, business confidence, although up on February, has failed to regain the levels seen at the start of the year, suggesting a less ebullient mood has developed among companies than seen in the immediate aftermath of the presidential election.*

*“This lower degree of business optimism has translated into weaker hiring, with the March surveys indicating the smallest net gain in private sector employment since last October.”*

## Markit Composite PMI and U.S. GDP



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

-Ends-

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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 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 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](mailto:economics@ihsmarkit.com).

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