

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0945 (EST) / 1445 (UTC) January 24th 2019

IHS Markit Flash U.S. PMI™

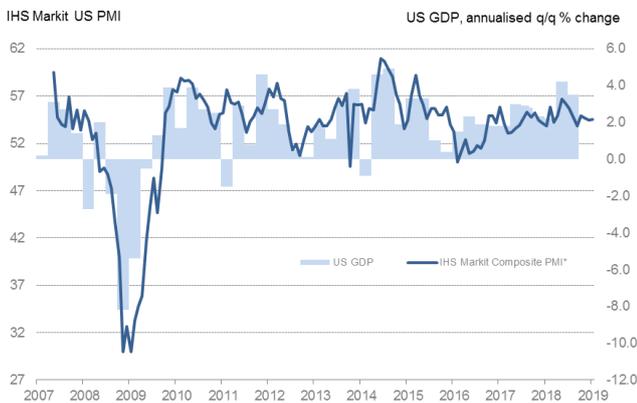
Private sector firms report solid start to 2019, helped by faster manufacturing output growth

Key findings:

- Flash U.S. Composite Output Index at 54.5 (54.4 in December). 2-month high.
- Flash U.S. Services Business Activity Index at 54.2 (54.4 in December). 4-month low.
- Flash U.S. Manufacturing PMI at 54.9 (53.8 in December). 2-month high.
- Flash U.S. Manufacturing Output Index at 55.9 (54.3 in December). 8-month high.

Data collected January 11-23

IHS Markit Composite PMI and U.S. GDP



*Manufacturing PMI only pre-October 2009
 Sources: IHS Markit, U.S. Bureau of Economic Analysis.

January's survey data indicated a solid start to the year for U.S. private sector companies, with output growth maintained at a broadly similar pace to that seen through the final quarter of 2018.

Manufacturing remained a bright spot as production volumes expanded at the fastest pace for eight months. Service providers signalled a sustained upturn in business activity during January, but the rate of growth eased to a four-month low.

At 54.5 in January, up fractionally from 54.4 in December, the seasonally adjusted **IHS Markit Flash U.S. Composite PMI Output Index** was well above the 50.0 no-change value. The latest reading was close to the average seen over the final quarter of 2018 (54.7) and signalled robust expansion of private sector output at the beginning of 2019. 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.

Higher levels of business activity were supported by a rebound in new orders growth from the 14-month low seen in December. Survey respondents mostly commented on improving underlying economic conditions and resilient confidence among clients. There were only sporadic reports citing the government shutdown as a factor weighing on demand at the start of 2019.

Stronger new business growth contributed to a marginal increase in backlogs of work at private sector firms in January. However, the rate of staff hiring eased to its weakest since May 2017. Some survey respondents attributed softer employment growth to efforts aimed at improving productivity and streamlining costs.

Input price inflation eased to a 22-month low in January, helped by weaker cost pressures across the service economy. In contrast, manufacturers continued to report sharply rising raw material costs, linked to trade tariffs and stretched domestic supply chains. Average selling prices for goods and services meanwhile rose at a slightly increased rate, although the rate of inflation was the second-weakest seen over the past year.

Looking ahead, business optimism lifted up from December's one-year low, rising especially sharply in the manufacturing sector, though remained

below last year's average.

IHS Markit U.S. Services PMI™

The seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index** slipped to 54.2 in January from 54.4 in December, but still signalled a solid upturn in service sector output. New business growth remained subdued in comparison to the peaks seen in the first half of 2018. The latest rise in new work was one of the weakest seen in the past year-and-a-half.

Service providers signalled only a modest rebound in business expectations from the 12-month low seen in December. Subdued growth projections for the year ahead contributed to more cautious hiring strategies in January. The latest increase in payroll numbers was the weakest since April 2017.

The main positive development in January was a slowdown in input cost inflation to its lowest for almost two years. Prices charged by service providers also increased at a much slower pace than seen on average in the second half of 2018.

IHS Markit U.S. Manufacturing PMI™

Manufacturing growth regained momentum at the start of 2019, according to the latest survey data. Adjusted for seasonal influences, the **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI)™¹** rose to 54.9 from 53.8 in December. The improvement in overall business conditions was driven by the fastest expansion of production since May 2018. New orders, employment and stocks of purchases also increased at faster rates in January.

Survey respondents generally cited robust domestic demand, which more than offset a slowdown in export sales growth to its weakest for three months. Moreover, latest data indicated that manufacturers are more confident about the 12-month business outlook than at any time since May 2018.

Stretched supply chains remained a challenge for manufacturers, with vendor lead-times lengthening for the twenty-fifth month running in January. Strong demand for inputs and higher imported raw materials costs related to trade tariffs led to a strong rise in input prices and another robust increase in factory gate charges across the manufacturing sector.

Comment

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

"US businesses reported a solid start to 2019, with the rate of expansion running only slightly weaker than the average seen in the second half of last year.

"The resilience of the survey data suggest little impact from the government shutdown on the private sector, with very few companies reporting any material detrimental impact on their output or order books.

"Historical comparisons suggest January's survey data are indicative of the economy growing at an annualised rate close to 2.5%. However, as the survey does not include the government sector, the impact of the shutdown may not be fully captured.

"Manufacturers reported faster rates of increase for both output and order books during the month, accompanied by ongoing robust service sector growth. Both sectors continued to rely on domestic demand, however, with service sector exports falling for a second successive month and goods exports rising only moderately, acting as a drag on overall order books.

"The jobs data from the surveys were also somewhat disappointing, with the overall rate of job creation slipping to a 20-month low. However, even this weaker January survey employment index reading is consistent with private sector payroll growth of approximately 150,000.

"Encouragingly, business sentiment about the year ahead lifted higher, suggesting companies have started the year with increased optimism, boding well for robust business growth to be sustained in coming months."

-Ends-

¹ 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.

For further information, please contact:**IHS Markit**

Tim Moore, Associate Director
Telephone +44-1491-461-067
Email tim.moore@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44207 260 2234
E-mail 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.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and 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 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2019 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email 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. and/or its affiliates.