

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 0945 (EDT) / 1345 (UTC) August 23<sup>rd</sup> 2017**

## IHS Markit Flash U.S. PMI™

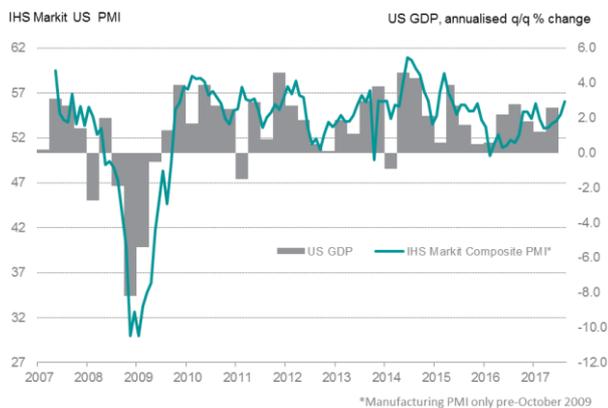
### US private sector growth reaches 27-month high in August

#### Key findings:

- Flash U.S. Composite Output Index at 56.0 (54.6 in July). 27-month high.
- Flash U.S. Services Business Activity Index at 56.9 (54.7 in July). 28-month high.
- Flash U.S. Manufacturing PMI at 52.5 (53.3 in July). 2-month low.
- Flash U.S. Manufacturing Output Index at 52.2 (54.1 in July). 14-month low.

Data collected August 11-22

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



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

US private sector companies signalled a sharp and accelerated increase in business activity during August. This was shown by the seasonally adjusted **IHS Markit Flash U.S. Composite PMI Output Index** rising from July's reading of 54.6 to 56.0, to indicate the fastest growth of overall activity since May 2015.

Driving the headline composite index higher was a sharp increase in **service sector business activity** in August ('flash' business activity index at 56.9, up from 54.7 in July). This contrasted with a slowdown in manufacturing production growth ('flash' output

index at 52.2 in August, down from 54.1).

In line with the trend for overall activity, total new orders also expanded at a quicker pace in August. Moreover, new business volumes grew at the quickest pace for just over two years.

At the same time, companies continued to add to their payroll numbers in August, with the rate of job creation unchanged from July's seven-month record.

Input costs rose further at US companies in the latest survey period, with the rate of inflation picking up to a four-month high. This in turn contributed to a further hike in average selling prices, which rose at the fastest pace in nearly three years.

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 Flash U.S. Services PMI™

The seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index<sup>1</sup>** posted 56.9 in August, up from 54.7 in July, to signal the quickest expansion of services activity for 28 months.

According to anecdotal evidence, strong economic conditions and an improvement in client demand had driven the latest upturn in activity. The latter was highlighted by a sharp and accelerated rise in new business received by services companies, with the rate of new order growth reaching a 25-month high in August.

Greater intakes of new work and rising activity levels led firms to hire more staff in August.

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

Furthermore, the rate of payroll expansion was only fractionally below July's seven-month record.

Average input costs faced by services companies increased further in August. The rate of inflation quickened slightly from the previous month and remained solid overall. Reports from panellists indicated that greater costs for raw materials was a key driver of inflation in the latest survey period.

Prices charged for services also rose at a quicker pace in August. Notably, the rate of inflation was the fastest seen since September 2014, with some companies mentioning that stronger client demand had enabled them to raise their prices.

## IHS Markit Flash U.S. Manufacturing PMI™

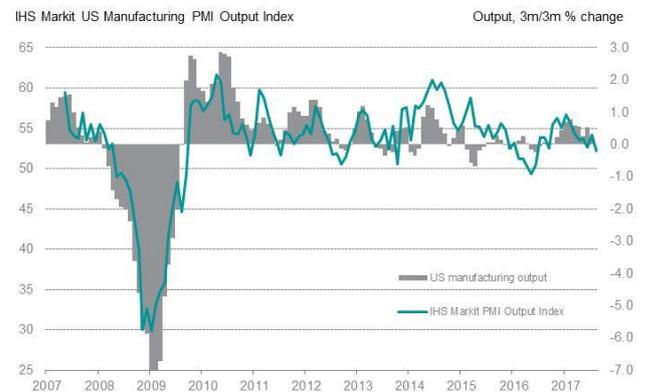
Business conditions continued to improve across the US manufacturing sector in August, albeit at a weaker pace. At 52.5, the seasonally adjusted **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**<sup>2</sup> remained above the 50.0 neutral value, but fell from 53.3 in July to signal only a modest rate of improvement.

Weaker increases in both output and new orders were key factors weighing on the headline manufacturing PMI in the latest survey period.

Production volumes expanded at the slowest rate for 14 months in August, while new business growth weakened from July's four-month high. Consequently, purchasing activity rose at a softer pace while firms also registered slower increases in inventory levels.

Latest data signalled a further pick up in the rate of input price inflation at US goods producers. Moreover, average cost burdens rose at a solid pace that was the quickest recorded for four months. According to panellists, higher prices for raw materials such as metals, oil and electrical components had contributed to higher production costs. However, factory gate charges continued to rise at only a modest pace.

## Manufacturing output



Sources: IHS Markit, U.S. Federal Reserve.

## Comment

Commenting on the flash PMI data, Rob Dobson, Director at IHS Markit said:

*"The US economic growth story remained a tale of two sectors in August. The overall rate of expansion accelerated to a 27-month record, driven higher by strong and improved growth of business activity in the vast services economy. In contrast, the performance of manufacturing remained sluggish in comparison, with production volumes rising to the weakest extent in over a year.*

*"Nonetheless, the acceleration signalled for the economy as a whole suggests that GDP growth is still gaining momentum during the third quarter. With new order inflows also strengthening and job creation equalling its best pace in the year-to-date, economic growth should remain on course to outperform relative to the second quarter.*

*"The principal weak spot in the economy placing downside risk on that outcome remains exports. Foreign goods orders fell – albeit only marginally – for the second month in a row, often blamed on the strength of the dollar. The domestic demand picture should hopefully remain relatively bright to offset such risks, however."*

-Ends-

<sup>2</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. No information from the ISM survey is used in the production of IHS Markit's PMI.

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**Note to Editors:**

Final August data are published on September 1 for manufacturing and September 6 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).

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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.

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**About PMI**

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