

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

Strongest rise in U.S. private sector output since November 2015

Key findings:

- Flash U.S. Composite Output Index at 55.9 (53.8 in January). 27-month high.
- Flash U.S. Services Business Activity Index at 55.9 (53.3 in January). 6-month high.
- Flash U.S. Manufacturing PMI at 55.9 (55.5 in January). 40-month high.
- Flash U.S. Manufacturing Output Index at 56.1 (56.2 in January). 2-month low.

Data collected February 12-20

IHS Markit Composite PMI and U.S. GDP



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

U.S. private sector companies experienced a marked improvement in business activity growth during February. This was highlighted by a rise in the seasonally adjusted **IHS Markit Flash U.S. Composite PMI Output Index** to 55.9, up from 53.8 in January and the highest reading for almost two-and-a-half years.

February data pointed to similarly sharp increases in both **manufacturing production** and **service sector activity**. The latter recorded a much stronger rate of expansion than at the start of 2018,

helped by the largest rise in new work received by service providers since March 2015.

Stronger **new business growth** underpinned a robust upturn in private sector payroll numbers during February. The latest increase in **staffing levels** was the most marked since August 2015.

Confidence regarding the **outlook for business activity** over the next 12 months picked up to its strongest since May 2015. A number of survey respondents cited greater sales volumes at their business units and hopes of a sustained improvement in U.S. economic conditions.

Meanwhile, **cost pressures** continued to intensify in February, with the latest rise in average input prices the sharpest recorded since July 2013. Higher cost burdens and improving client demand contributed to the fastest rate of **prices charged inflation** for almost three-and-a-half 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 U.S. Services PMI™

February data revealed a robust and accelerated expansion of U.S. service sector output. At 55.9, up from 53.3 in January, the seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index** signalled the steepest rate of growth for six months. Moreover, the latest reading was one of the highest achieved since early-2015.

A continued rebound in **new order volumes** helped to support business activity growth during February. The latest upturn in new work received by service sector companies was the steepest since March 2015. Anecdotal evidence suggested that resilient business and consumer confidence had helped to boost sales volumes in the latest survey period.

Service providers sought to expand operating capacity by taking on additional staff in February.

The rate of **job creation** was the fastest since August 2017, but this did not prevent a further rise in **backlogs of work** across the service sector. Moreover, stronger demand helped to support an improvement in **business expectations** for the next 12 months. February data indicated that service sector business confidence reached its highest since May 2015.

Input costs meanwhile increased sharply in February, with the latest rise the strongest for around four-and-a-half years. **Average prices charged** by service sector firms increased at the fastest pace since September 2014.

IHS Markit U.S. Manufacturing PMI™

U.S. manufacturers reported a strong upturn in business conditions during February, which continued the positive trend seen at the start of 2018. At 55.9, up from 55.5 in January, the seasonally adjusted **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index (PMI)™**¹ pointed to the fastest improvement in overall business conditions since October 2014.

A sharp and accelerated rise in **incoming new business** helped to boost the headline PMI in February, while **manufacturing production** growth was little-changed since January. The latest rise in new order volumes was the steepest for around three-and-a-half years, which survey respondents attributed to greater sales to domestic clients alongside further export gains.

Improving manufacturing business conditions also reflected a robust rise in **payroll numbers** and sustained **pre-production stock building** in February. Meanwhile, there were signs of stretched supply chains, with **delivery times from vendors** lengthening for the fourteenth month running.

Greater demand for inputs and rising commodity prices contributed to a sharp rise in **average cost burdens** across the sector. The latest increase in manufacturing input prices was the fastest since December 2012. Efforts to alleviate pressure on operating margins led to the steepest rate of **factory gate price inflation** for just over four years in February.

Comment

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

“Business activity growth accelerated markedly in February, suggesting the economy is growing at its fastest pace for over two years. The upbeat February PMI surveys are indicative of GDP rising at an annualised rate of 3.0%.

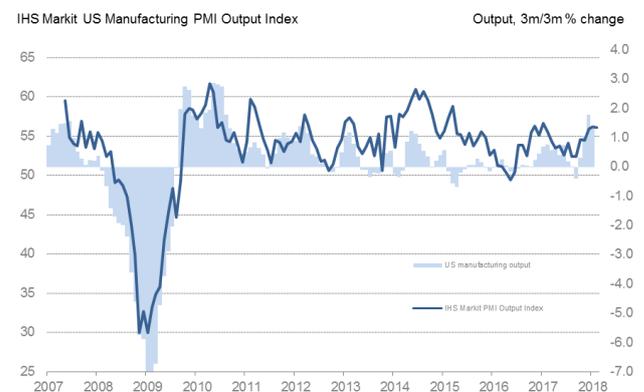
“Even faster growth is signalled for coming months. February saw the largest influx of new orders for almost three years, while business expectations about the year ahead jumped to the highest since May 2015.

“Such optimism encouraged firms to step up their hiring, with payroll growth reaching a two-and-a-half year high, underscoring the broad-based bullish mood across the business sector.

“On the downside, price pressures have intensified further. Costs are rising at the steepest rate for four-and-a-half years in the service sector with a five-year high seen in manufacturing. Inflation therefore looks set to accelerate alongside the upturn in the economy, as higher costs are passed on to consumers.”

-Ends-

Manufacturing output



Sources: IHS Markit, U.S. Federal Reserve

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.

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Note to Editors:

Final February data are published on March 1 for manufacturing and March 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.

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