

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 0945 (EDT) / 1345 (UTC) October 24<sup>th</sup> 2017**

## IHS Markit Flash U.S. PMI™

### U.S. private sector growth accelerates to nine-month high in October, partly driven by a rebound in manufacturing

#### Key findings:

- Flash U.S. Composite Output Index at 55.7 (54.8 in September). 9-month high.
- Flash U.S. Services Business Activity Index at 55.9 (55.3 in September). 2-month high.
- Flash U.S. Manufacturing PMI at 54.5 (53.1 in September). 9-month high.
- Flash U.S. Manufacturing Output Index at 54.5 (52.4 in September). 8-month high.

Data collected October 12-23

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



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

October data indicated a robust and accelerated expansion of U.S. private sector business activity. The upturn was supported by the fastest rise in manufacturing production for eight months, alongside another robust increase in service sector output.

The seasonally adjusted **IHS Markit Flash U.S. Composite PMI Output Index** rose to 55.7 in October, from 54.8 in September. As a result, the

latest reading signalled the fastest upturn in private sector output since January.

However, growth of overall **new business** volumes moderated further from the two-year peak seen in August. This reflected a slowdown in the service sector, as manufacturing firms reported the strongest rise in new work since March.

The latest survey revealed a solid increase in private sector **employment**, supported by the steepest rise in payroll numbers at manufacturing companies since June 2015.

Meanwhile, **input price inflation** moderated from September's three-year peak. This contributed to a slowdown in prices charged inflation to its weakest for six months. That said, manufacturers continued to report relatively strong cost inflation, driven by rising commodity prices (particularly metals).

October data also pointed to the greatest pressure on **manufacturing supply chains** since early-2014. Survey respondents widely cited disruption and stretched workloads among suppliers following hurricanes Harvey and Irma.

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™

Service sector business activity continued to rise at a robust pace in October. At 55.9, up slightly from 55.3 in September, the seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index**<sup>1</sup> was well above the 50.0 no-change

<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.

threshold. Moreover, the latest reading signalled the second-fastest rate of expansion since November 2015. Survey respondents attributed rising business activity to improving domestic economic conditions and increased client spending.

The rate of **job creation** at service providers eased slightly in October. Some companies cited softer **new business growth**, alongside subdued pressure on operating capacity.

Service sector firms remain upbeat about their **growth prospects for the year ahead**, and the degree of optimism improved from September's seven-month low.

**Input cost inflation** moderated to its least marked since March. This contributed to softer **prices charged inflation** across the service economy, with the latest increase in average charges the slowest for six months.

## IHS Markit U.S. Manufacturing PMI™

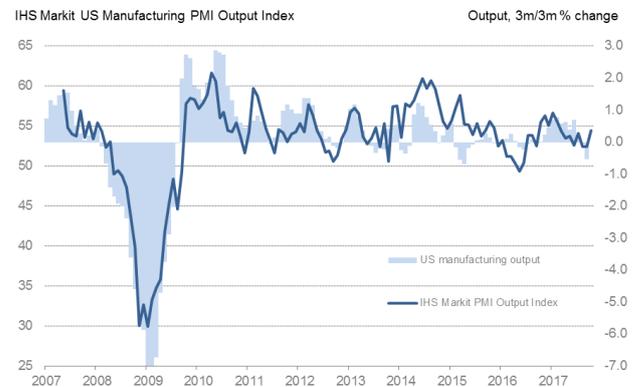
The latest survey pointed to improved operating conditions across the manufacturing sector. This was highlighted by a rise in the seasonally adjusted **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**<sup>2</sup> to 54.5 in October, from 53.1 in September, to signal the strongest upturn in manufacturing growth since January.

Faster rates of manufacturing **production** and **new order** growth were recorded in October. This helped to boost **employment numbers**, with the rate of job creation the sharpest since June 2015. There were also positive developments in terms of **export sales**. Manufacturers recorded the most marked increase in new work from abroad for 14 months.

Stronger demand for inputs and continued hurricane-related disruption led to intense pressure on supply chains in October. The latest lengthening of average **lead-times among vendors** was the greatest since that recorded after heavy snowfall in February 2014.

October data pointed to another sharp rise in **input costs**, although the rate of inflation eased from September's near five-year peak. Meanwhile, **factory gate charges** increased at only a modest pace.

## Manufacturing output



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

## Comment

Commenting on the flash PMI data, **Tim Moore, Associate Director** at IHS Markit said:

*"The US economy seems to have made a strong start to the final quarter of 2017. Resilient service sector growth and an encouraging rebound in manufacturing production combined to generate one of the sharpest rises in private sector output for two-and-a-half years during October."*

*"There were also positive developments in terms of staff hiring and business optimism during October, suggesting that private sector firms are gearing up for sustained growth in coming months."*

*"Service providers noted that supportive underlying economic conditions had helped to drive up business and consumer spending. Manufacturers cited an element of catch-up to production schedules and orders, following hurricane-related disruption in the third quarter. Goods producers also experienced the strongest rise in export orders since August 2016, suggesting a boost from improving external demand."*

*"The main near-term concern for manufacturers is that national supply chain pressures remain the most widespread since those recorded after heavy snowfall in early-2014. In particular, survey respondents pointed to depleted inventories among suppliers, ongoing transport delays and sharply rising raw material prices during October."*

-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.

**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 October data are published on November 1 for manufacturing and November 3 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 © 2017 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 [www.markit.com/economics](http://www.markit.com/economics).

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.