

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

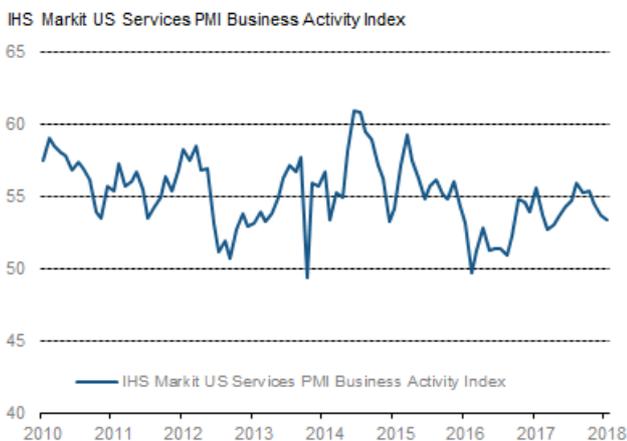
U.S. business activity growth eases to nine-month low

Key findings:

- Upturn in output softens but remains solid
- New business expands at fastest pace since September 2017
- Backlogs increase at joint-strongest rate since March 2015

Data collected January 12-26

Service sector business activity (seasonally adjusted)



Source: IHS Markit.

January survey data indicated a solid rise in U.S. service sector business activity, though the rate of growth eased for a third month running to reach a nine-month low. That said, new business continued to expand strongly, with the upturn accelerating to the fastest since last September.

Greater client demand was reflected in a faster rate of backlog accumulation. The level of outstanding business increased at the joint-quickest pace since March 2015. Meanwhile, inflationary pressures strengthened with both input cost and selling price

inflation accelerating.

The seasonally adjusted final **IHS Markit U.S. Services Business Activity Index** registered 53.3 in January, down from 53.7 in December. The latest index reading signalled a solid expansion in business activity among service providers, albeit the slowest since April 2017. Anecdotal evidence linked the latest upturn to more favourable economic conditions.

Greater demand also drove the fastest rise in new orders since September 2017. Where growth was reported, panellists linked this to the acquisition of new clients and higher sales spurred by increases in marketing activity.

Reflecting recent trends in output and new orders, the level of outstanding business at service sector firms increased for the ninth successive month in January. Moreover, backlog accumulation accelerated to a rate that was the joint-sharpest since March 2015.

Meanwhile, job creation remained solid with firms increasing their workforce numbers in response to greater activity requirements.

The January data also indicated a further rise in input costs faced by service providers to the fastest since last September. A number of survey respondents linked the latest increase to higher raw material costs, especially fuel.

Average prices charged also increased further in January, with the pace of inflation quickening. Stronger client demand reportedly allowed firms to pass on greater cost burdens to customers through higher charges. Overall, output price inflation was solid and above the series trend.

Finally, business confidence increased and reached a three-month high. Improved optimism was widely attributed to planned investment and expectations of stronger client demand.

IHS Markit Final U.S. Composite PMI™

The final seasonally adjusted **IHS Markit U.S. Composite PMI™ Output Index** fell to 53.8 in January, down from 54.1 in December. Although output growth in the manufacturing sector accelerated further, weaker service sector growth was reflected in the final composite figure.

The overall upturn was solid, but eased for the third consecutive month and indicated the slowest output expansion since May 2017.

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.

Comment

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

“A slowdown in the service sector comes as a disappointment, though was partially offset by faster manufacturing growth during the month. Combined, the two PMI surveys point to the economy expanding at a reasonably solid, albeit not exciting, 2-2.5% annualised rate at the start of the first quarter.

“Beneath the headline numbers, the survey findings are more encouraging, and suggest the pace of economic growth could accelerate in coming months. Most importantly, growth of new orders jumped higher in both sectors in January, registering the largest upturn in new work since last August and one of the biggest gains seen over the past three years.

“Back orders also showed the biggest rise for almost three years as firms struggled to cope with rising demand.

“This upturn in client demand was a key factor

behind another month of strong hiring, but also encouraged firms to hike prices. Selling price inflation accelerated in both manufacturing and services as pricing power continued to return.”

IHS Markit Composite PMI and U.S. GDP



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

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Note to Editors:

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 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 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.

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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