PMI™ By IHS Markit

News Release

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

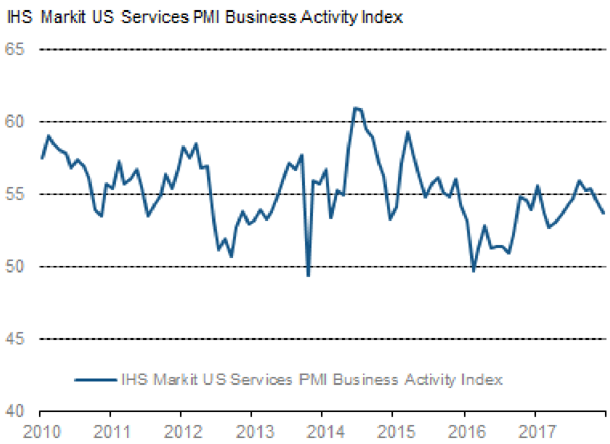
Business activity growth softens to seven-month low in December

Key findings:

- Slower expansion in business activity in December
- Upturn in new orders remains relatively strong
- Business confidence slips further to a 15-month low

Data collected December 5-18

Service sector business activity (seasonally adjusted)



Source: IHS Markit.

December data signalled a solid, but softer expansion in business activity across the US service sector. Moreover, the latest upturn eased to a seven-month low. In line with the trend in output, the rate of growth in new business volumes softened slightly. Meanwhile, backlogs continued to rise and the latest expansion was the fastest for four months. Another solid rise in employment levels was linked to greater capacity pressures. On the price front, both input cost and charge inflation eased slightly. In line with softer business activity growth, the degree of optimism in the sector dipped to a 15-month low.

The seasonally adjusted final **IHS Markit U.S. Services Business Activity Index** registered 53.7 in December, down from 54.5 in November. The latest index was higher than the earlier 'flash' reading (52.4) and indicated a solid increase in business activity at US service providers. A number of panel members suggested the upturn was due to greater client demand and increased new order volumes. However, the overall rate of activity growth was the weakest since May and below the series trend.

New business received by service providers continued to increase in December, albeit at a softer pace than that seen in the previous survey period. Anecdotal evidence linked the rise in new orders to the acquisition of new clients and more favourable market conditions.

Meanwhile, the level of outstanding business at service sector firms rose further in December, with the rate of growth accelerating to reach a four-month high. Employment levels also continued to increase in December, as monitored firms reported a solid rate of job creation. Increased hiring was attributed to greater capacity requirements and the upturn in new order volumes. That said, workforce numbers rose at the softest pace since June.

Inflationary pressures eased in December, with both input price and charge inflation softening. The latest rise in cost burdens was attributed by panellists to higher fuel prices and staff salaries. Greater input costs were partly passed on to clients, as firms noted that average charges also rose solidly. Although the rate of inflation softened, it was above the series trend.

Business confidence towards the future outlook was relatively subdued in December, with service providers reporting the lowest level of optimism since September 2016. Where expectations were positive, panel members linked this to greater client demand and more favourable market conditions.

IHS Markit Final U.S. Composite PMI™

The final seasonally adjusted **IHS Markit U.S. Composite PMI™ Output Index** fell to 54.1 in December, down from 54.5 in November. Despite an accelerated upturn in manufacturing output, the composite index signalled softer growth following a slower expansion in service sector business activity.

The latest composite index figure was above the earlier flash reading (53.0) and indicated a solid end to 2017, despite output growth easing to a six-month low.

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:

"The final services and manufacturing PMI surveys collectively signalled faster business activity growth than the earlier flash readings, though still indicated a moderation in the pace of expansion to the weakest since June. A welcome improvement in manufacturing output growth was countered by a slowdown in the comparatively larger services economy.

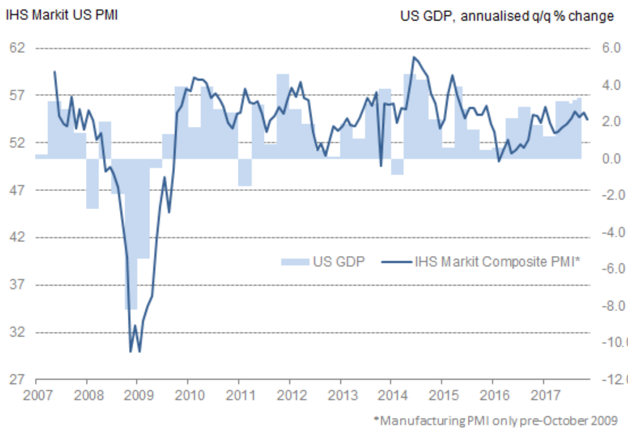
"However, while moderating, the overall rate of expansion remains relatively robust, with the PMIs running at levels consistent with the economy growing at a solid 2-2.5% annualised rate in the fourth quarter.

"Similarly, hiring, while also slowing slightly at the end of the year, continued to run at a pace indicative of non-farm payrolls up by around 195,000 in December as firms boosted capacity in line with rising demand. Price pressures meanwhile moderated but remained elevated by standards seen over the past three years.

"The US economy therefore ends 2017 with an encouraging scoresheet of steady economic growth, solid hiring and firmer inflationary pressures, supporting the view that interest rates will continue to rise in 2018.

"A note of caution is sounded by a deterioration in optimism about the outlook in the service sector to the joint-weakest in the past 18 months. However, hopefully news of tax cuts and fiscal stimulus in 2018 will help revive business spirits and drive growth higher."

IHS Markit Composite PMI and U.S. GDP



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

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For further information, please contact:

IHS Markit
Chris Williamson, Chief Economist
Telephone +44-207 260 2329
Email chris.williamson@ihsmarkit.com

Sian Jones, Economist
Telephone +44-1491-461-017
Email sian.jones@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44-207 260 2234
E-mail joanna.vickers@ihsmarkit.com

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 indictors 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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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.

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.