

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

U.S. private sector expands at slowest pace for six months in March

Key findings:

- Flash U.S. Composite Output Index at 53.2 (54.1 in February). 6-month low.
- Flash U.S. Services Business Activity Index at 52.9 (53.8 in February). 6-month low.
- Flash U.S. Manufacturing PMI at 53.4 (54.2 in February). 5-month low.
- Flash U.S. Manufacturing Output Index at 54.4 (55.6 in February), 6-month low.

Data collected March 13-23

Markit Composite PMI and U.S. GDP



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

The seasonally adjusted **Markit Flash U.S. Composite PMI Output Index** registered 53.2 in March, to remain above the 50.0 no-change value for the thirteenth consecutive month. However, the latest reading was down from 54.1 in February and signalled the slowest expansion of private sector output since September 2016.

Softer business activity growth was driven by a loss of momentum in the service economy ('flash' index at 52.9, down from 53.8 in February). **Manufacturing** production also expanded at a weaker pace in March ('flash' output index: 54.4, down from 55.6). March data also revealed a slowdown in staff hiring by private sector

companies. The latest rise in payroll numbers was only marginal and the weakest for six months.

The composite index is based on original survey data from the Markit U.S. Services PMI and the Markit U.S. Manufacturing PMI.

Markit Flash U.S. Services PMI™

At 52.9 in March, the **Markit Flash U.S. Services PMI™ Business Activity Index¹** signalled only a moderate rate of growth across the service economy. The latest expansion of business activity was the weakest since last September, suggesting a sustained loss of momentum following the 14-month peak recorded in January.

Survey respondents noted that a softer increase in new business had acted as a brake on growth in March. Reflecting this, the latest rise in new work received by service providers was only modest and the weakest for 12 months. Some firms commented on greater caution among clients, despite a supportive economic backdrop so far in 2017.

Staff hiring continued to ease from the 15-month peak recorded last December. Moreover, the rate of service sector job creation in March was one of the weakest reported over the past three years.

The rate of prices charged inflation remained only modest in March, with some service providers commenting on the need to absorb higher costs. Anecdotal evidence mainly pointed to rising food prices and transportation costs. However, the overall pace of input cost inflation was relatively subdued and held close to the five-month low seen in February.

Markit Flash U.S. Manufacturing PMI™

March data signalled that manufacturing production

¹ Please note that Markit's PMI data, flash and final, are derived from information collected by 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 Markit's PMI.

continued to expand at a faster pace than service sector activity. Manufacturing companies nonetheless indicated that growth momentum eased further from the peak seen at the start of 2017.

At 53.4, down from 54.2 in February, the headline seasonally adjusted **Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**² signalled the slowest overall upturn in business conditions since October 2016. The latest PMI reading was still well above the 50.0 no-change value, which marked seven-and-a-half years of sustained growth across the manufacturing sector.

Mirroring the overall trend for business activity, latest data signalled that manufacturing new order volumes expanded at the slowest pace for five months. This contributed to more cautious purchasing activity in March, alongside renewed efforts to streamline inventories. Reflecting this, pre-production stocks were accumulated at the weakest pace since last September, while finished goods inventories dropped for the first time in six months.

Input cost inflation meanwhile picked up in March, which survey respondents attributed to rising commodity prices (particularly metals). The overall rate of input price inflation was the fastest for two-and-a-half years. Efforts to pass on higher costs contributed to an upturn in factory gate price inflation to its strongest since November 2014.

Comment

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

“The US economy shifted down a gear in March. A slowing in the pace of growth signalled by the PMI surveys for a second straight month suggests that the economy is struggling to sustain momentum. The survey readings are consistent with annualized GDP growth of 1.7% in the first quarter, down from 1.9% in the final quarter of last year.

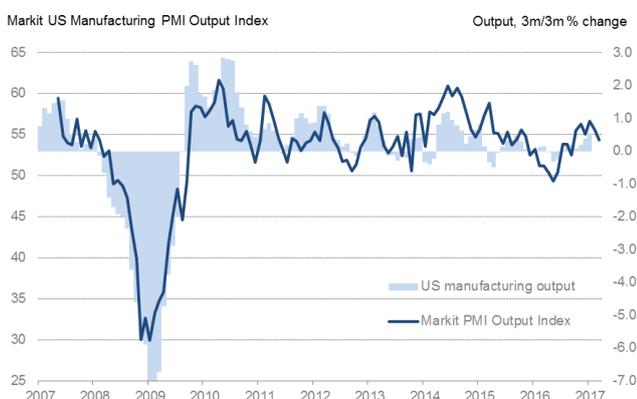
“The employment readings from the survey have also deteriorated, suggesting private sector hiring is running at a reduced rate of around 120,000 per month.

“Inflows of new business have moderated in both manufacturing and services, the latter seeing the most worrying slowing. Backlogs of work are also starting to fall again – something which is commonly followed by firms cutting back on their hiring.

“Business confidence ticked higher in March, however, providing some brighter news on the outlook and a glimmer of hope that the growth trend will pick up again in the second quarter.”

-Ends-

Manufacturing output



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

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Note to Editors:

Final March data are published on April 3 for manufacturing and April 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 Markit and is based on original survey data collected from a representative panel of over 400 companies based in the U.S. service sector. 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 Markit U.S. Services PMI complements the Markit U.S. Manufacturing PMI and enables the production of the 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.

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, Markit's U.S. PMI research was extended out to cover producers of metal goods. In October 2009, Markit's U.S. Manufacturing PMI survey panel was extended further to cover all areas of U.S. manufacturing activity. Back data for 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. 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.

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 Markit. Please contact economics@ihsmarkit.com.

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