News Release

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

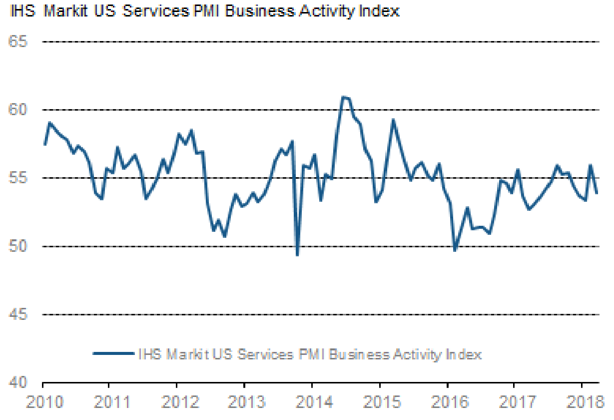
Service sector growth remains strong in March

Key findings:

- Service sector output and new order growth ease...
- ...but rates of expansion remain robust overall
- Upturn in employment reaches seven-month high

Data collected March 12-26

Service sector business activity (seasonally adjusted)



Source: IHS Markit.

March survey data indicated a strong expansion in business activity across the U.S. service sector. That said, the growth rate softened from that seen in February and was below the long-run series average. Similarly, the upturn in new business softened from the previous month but was sharp overall. In line with sustained increases in client demand, the rate of job creation accelerated to a seven-month high. Meanwhile, both input price and output charge inflation remained strong and above their respective series averages.

The seasonally adjusted final **IHS Markit U.S. Services Business Activity Index** registered 54.0 in March, down from 55.9 in February. Nonetheless, output growth was strong overall. Moreover, the index average for first three months of 2018 was broadly in line with the rate of expansion seen over 2017 as a whole. Panellists largely linked the upturn in business activity to diversification and more favourable demand conditions.

New business received by service providers grew sharply in March, albeit at a slightly softer rate than February's 35-month high. Furthermore, the rate of increase remained well above the long-run series average. Alongside greater client demand, panellists attributed the rise in new orders to wide-reaching marketing campaigns and increases in customer referrals.

Greater business requirements and a strong rise in output were listed as influential factors behind the latest increase in employment levels. Service providers registered a strong rate of job creation that was the fastest since August 2017.

For the eleventh successive month, the level of outstanding business at service providers increased. The rate of accumulation dipped to a three-month low and was only marginal, with respondents suggesting the latest rise was due to ongoing growth in new business.

On the price front, the rate of input cost inflation softened from February's multi-year high. That said, cost burdens still rose at a strong pace. A number of survey respondents stated that the increase in input prices stemmed from higher fuel and wage costs.

Reflective of favourable demand conditions, greater cost burdens were largely passed on to clients

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through higher charges. The rate of output price inflation eased slightly from that seen in February but remained strong overall.

Finally, forecasts for output over the coming year moderated in March and dipped below the series average. Positive sentiment was commonly linked to greater client demand and favourable demand conditions.

IHS Markit Final U.S. Composite PMI™

The final seasonally adjusted **IHS Markit U.S. Composite PMI™ Output Index** dipped to 54.2 in March from 55.8 in February. Both the manufacturing and service sector recorded softer output growth than in February.

That said, the composite output increase was strong overall. Moreover, the average rise in new orders over the first three months of 2018 was the strongest since the third quarter of 2014.

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:

"Measured across both manufacturing and services sectors, US business activity growth slowed in March compared to February's 27-month high, but remained encouragingly solid.

"The month rounds off a quarter in which the PMI surveys indicate that the economy grew at an annualised rate of approximately 2.5% (though official GDP data are likely to come in at least 0.5% weaker, due to seasonality issues).

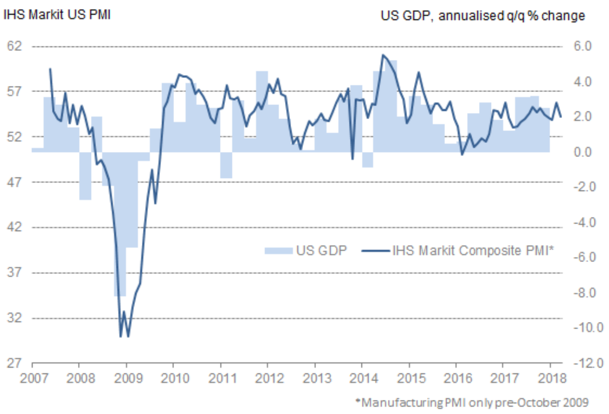
"Strong inflows of new orders means growth looks set to accelerate into the second quarter. The past two months have seen the largest back-to-back increases in demand for almost three years.

"The strongest jobs gain since December 2016 further underscored the bullish outlook, as firms stepped up their hiring to meet the recent upturn in demand.

"Price pressures meanwhile eased slightly during the month, though remained elevated by standards of the past four years, linked in many cases to healthy demand boosting firms' pricing power, as well as recent tariff announcements adding to inflationary pressures in the manufacturing sector.

"Expectations about future growth were mixed: while recent protectionist announcements appear to have helped bolster confidence in parts of the domestic manufacturing sector, service sector optimism came off the boil."

IHS Markit Composite PMI and U.S. GDP



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

-Ends-

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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 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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