

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

### Strong upturn in US private sector output continues, supported by fastest employment growth since May 2015

**Key findings:**

- Flash U.S. Composite Output Index at 54.3 (55.8 in February). 2-month low.
- Flash U.S. Services Business Activity Index at 54.1 (55.9 in February). 2-month low.
- Flash U.S. Manufacturing PMI at 55.7 (55.3 in February). 36-month high.
- Flash U.S. Manufacturing Output Index at 55.2 (55.5 in February). 4-month low.

Data collected March 12-21

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



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

March data revealed another strong increase in private sector output, together with a further solid payroll gain and elevated price pressures.

At 54.3 in March, down from 55.8 in the previous month, the seasonally adjusted **IHS Markit Flash U.S. Composite PMI Output Index** has remained above the 50.0 no-change threshold for just over two years. The latest upturn in business activity was faster than the average over this period, driven

by solid rises in both **manufacturing production** and **service sector output**.

There were also positive signals for the near-term growth outlook, with **new order volumes** expanding at a strong pace and **payroll numbers** picking up to the greatest extent since May 2015. Moreover, **business confidence** towards growth prospects over the coming 12 months remained among the highest seen over the past three years.

The latest survey signalled another robust increase in **average cost burdens** across the private sector economy, with the rate of input price inflation unchanged from February's 52-month peak. In the manufacturing sector, input price pressures were the greatest for six-and-half years.

A combination of sharply rising operating expenses and resilient demand conditions contributed to another marked increase in **average prices charged** by private sector companies. March data indicated the second-fastest rate of output charge inflation since September 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.

#### IHS Markit U.S. Services PMI™

The seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index** posted 54.1 in March, down from February's six-month high of 55.9. Nonetheless, the latest reading was well above the neutral 50.0 value and signalled a further solid expansion of service sector output.

Service providers recorded another robust rise in **new business** during March, with the rate of expansion holding close to February's near three-year high. Greater workloads helped to underpin the strongest **job creation** since September 2015.

March data pointed to a robust rise in **average cost burdens**, although the rate of inflation was softer than the 32-month peak seen in February. Mirroring the trend for operating expenses, **average prices charged** by service sector companies increased at a slightly slower rate than in the previous month.

### IHS Markit U.S. Manufacturing PMI™

U.S. manufacturers experienced a robust and accelerated improvement in their overall business conditions in March. This was highlighted by the seasonally adjusted **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI)™**<sup>1</sup> rising to 55.7, from 55.3 in February.

The latest reading signalled the strongest upturn in manufacturing operating conditions for exactly three years. Stronger contributions from the **employment, inventories** and **suppliers' delivery times** components helped to lift the headline PMI in March.

Latest data also pointed to robust rises in manufacturing **production** and **new orders**, although in both cases the rates of expansion eased since February.

Meanwhile, **input buying** increased at the fastest pace since September 2014, which a number of survey respondents linked to pre-purchasing and stock building ahead of expected raw material price rises (particularly steel-related items).

Efforts to boost pre-production inventories also led to intense pressure on supply chains. The latest lengthening of **lead-times from vendors** was the greatest recorded since the snow-related disruptions seen in early-2014.

Manufacturers signalled a steep and accelerated rise in their **average cost burdens** in March, which was overwhelmingly attributed to rising raw material prices. The overall rate of input cost inflation was the fastest since September 2011.

A number of survey respondents cited higher prices for metals and increased charges by suppliers amid strong demand for raw materials. At the same time, **factory gate charges** rose at the strongest pace for just over six-and-a-half years in March.

<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 Report on Business and the ISM Non-Manufacturing Report on Business. No information from the ISM survey is used in the production of IHS Markit's PMI.

### Comment

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

*"The flash PMI surveys indicate that the economy likely continued to expand at a robust pace in March, rounding off a solid opening quarter of the year. The surveys are running at a level consistent with annualised first quarter GDP growth approaching 2.5% (though we note that official GDP estimates may once again understate growth in the opening quarter of the year).*

*"The survey's employment index is meanwhile at its highest for nearly three years and indicative of another strong payroll rise in the order of 240,000 in March.*

*"The improved hiring trend reflects buoyant optimism regarding future growth. Companies' expectations for output in the year ahead remained elevated, dipping slightly in services but surging to a three-year high in manufacturing.*

*"Inflationary pressures meanwhile remain a key theme of the surveys, especially in manufacturing, reflecting increased raw material prices, notably for metals. The survey found average prices charged for goods and services are rising at one of the strongest rates seen since 2014. Furthermore, with factory costs showing the largest jump for seven years amid growing shortages of key inputs, inflationary pressures appear to be on the rise."*

-Ends-

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**Note to Editors:**

Final March data are published on April 2 for manufacturing and April 4 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))**

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**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 <https://ihsmarkit.com/products/pmi.html>.

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