News Release

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

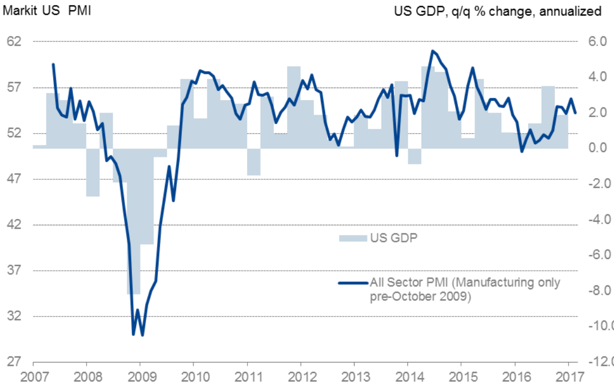
U.S. private sector growth slows from January's 14-month peak

Key findings:

- Flash U.S. Composite Output Index at 54.3 (55.8 in January). 2-month low.
- Flash U.S. Services Business Activity Index at 53.9 (55.6 in January). 2-month low.
- Flash U.S. Manufacturing PMI at 54.3 (55.0 in January). 2-month low.
- Flash U.S. Manufacturing Output Index at 55.7 (56.7 in January), 2-month low.

Data collected February 10-20

Markit Composite PMI and U.S. GDP



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

At 54.3 in February, the seasonally adjusted **Markit Flash U.S. Composite PMI Output Index** dropped from 55.8 in January but remained above the 50.0 no-change value for the twelfth consecutive month. The latest reading signalled that private sector output growth moderated from the 14-month high recorded at the start of 2017.

Weaker business activity growth was mainly driven by slower momentum across the **service economy** ('flash' index at 53.9, down from 55.6 in January). **Manufacturing** production continued to expand at a robust pace in February ('flash' output index: 55.7, down only slightly from 56.7 in January), which kept the sector on course to achieve its fastest quarterly rate of growth for two years in Q1 2017.

However, latest survey data indicated that business optimism moderated among U.S. private sector firms in February, driven by weaker confidence across the service economy. Measured overall, survey respondents were the least upbeat about the growth outlook since September 2016.

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™

Adjusted for seasonal influences, the **Markit Flash U.S. Services PMI™ Business Activity Index**[1] registered 53.9 in February, down from 55.6 in January. Nonetheless, the average index reading for Q1 2017 so far (54.8) indicates that the service sector is still on course to register its fastest quarterly growth since the end of 2015.

The slowdown in service sector growth from January's 14-month peak largely reflected a moderation in new business expansion to its weakest for five months in February. Some service providers commented on a greater degree of caution in terms of client spending. However, there were also reports that a supportive economic backdrop and increased customer budgets had underpinned sales growth.

Service sector job creation moderated to its slowest for three months in February. Anecdotal evidence suggested that reduced pressure on operating capacity and squeezed margins had contributed to softer employment growth.

February data signalled a sharp moderation in

[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.

compiled by markit

service providers' outlook for growth over the year ahead. The latest reading signalled that business optimism was the weakest since last September, which contrasted with the 20-month high seen at the start of 2017.

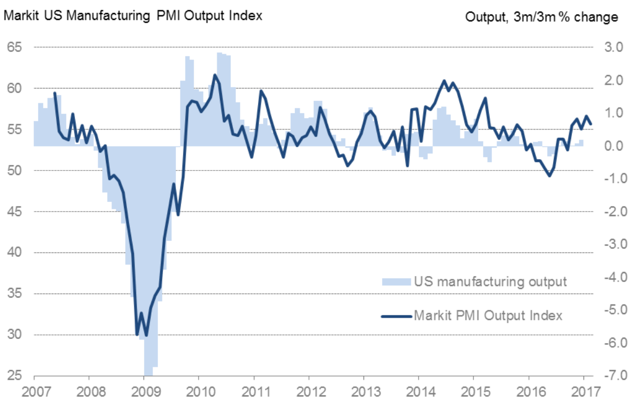
Markit Flash U.S. Manufacturing PMI™

The seasonally **Markit Flash U.S. Manufacturing *Purchasing Managers' Index*™ (*PMI*™)**[2] signalled that manufacturing business conditions improved at a slightly slower pace than the 22-month peak seen in January. Softer output and new order growth were the main factors weighing on the headline PMI reading during February.

Despite a slowdown since January, the latest survey indicated that new order growth remained faster than at any other time since March 2015. This was driven by strong sales to domestic clients, which helped offset weaker growth in export markets during February. A number of manufacturers commented on greater demand from energy sector clients.

Meanwhile, manufacturers signalled that input cost inflation was at its highest level since September 2014. This was linked to increased prices for a range of raw materials, particularly metals and oil-related inputs. However, factory gate price inflation was only marginal and slipped to a three-month low in February, thereby suggesting a continued squeeze on operating margins.

Manufacturing output



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

Comment

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

"The drop in the flash PMI numbers for February suggest that the post-election upturn has lost some momentum. Growth of business output, new orders and hiring all waned, as did inflationary pressures.

"February also saw a sharp pull-back in business optimism about the outlook over the next 12 months, which suggests companies have become more cautious about spending, investing and hiring.

"However, even with the February dip, the PMI remains at a level broadly consistent with the economy growing at a 2.5% annualized rate in the first quarter. The survey's employment index is meanwhile indicating that a respectable 165,000 jobs were added to the economy in February.

-Ends-

[2] 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 Report on Business. No information from the ISM survey is used in the production of Markit's PMI.

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Note to Editors:

Final February data are published on March 1 for manufacturing and March 3 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 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.

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.

About IHS Markit (www.ihsmarkit.com)
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 30 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.