

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

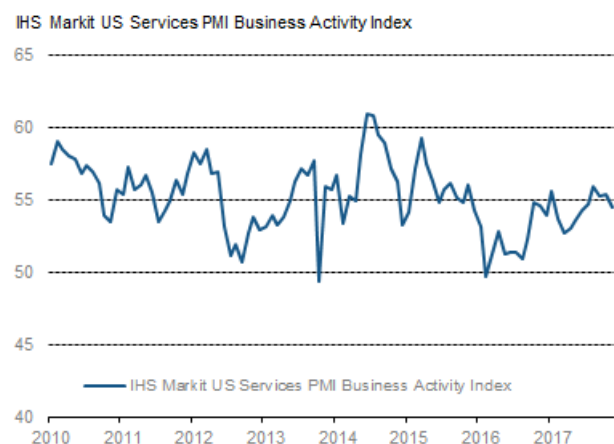
Business activity growth eases in November

Key findings:

- Service sector output expansion softens to five-month low
- Upturn in new business accelerates
- Business confidence slips to joint-weakest since February

Data collected November 13-27

Service sector business activity (seasonally adjusted)



Source: IHS Markit.

November survey data signalled a slower rate of expansion in business activity across the US service sector. Although output growth eased slightly to a five-month low, the upturn in new business accelerated and was solid overall. Employment growth meanwhile reached a three-month peak, which helped alleviate capacity pressures. In line with this, backlog accumulation softened to a five-month low. Inflationary pressures intensified with both input prices and output charges rising at quicker paces. The latest survey also indicated a fall in business confidence to the

joint-lowest since February.

The seasonally adjusted **IHS Markit U.S. Services Business Activity Index** registered 54.5 in November, down from 55.3 in October. Although the latest index reading indicated a slightly weaker output expansion, the overall rate of growth was strong by recent standards nonetheless. Anecdotal evidence suggested that increases in activity were due to greater new order volumes and robust client demand.

New orders received by service providers continued to rise in November, with the pace of expansion accelerating from October's six-month low. Panellists attributed the improvement in new orders to more favourable demand conditions and the acquisition of new clients.

Alongside an increase in new orders, firms reported that greater business requirements had led to employment growth. Job creation accelerated slightly to a solid rate that was the fastest in three months. Moreover, the latest upturn in payroll numbers was above the long-run series average.

Capacity pressures softened for the fourth successive month, and the overall accumulation of unfinished business was only fractional. Furthermore, the growth in outstanding business was the weakest since June.

Average prices charged for services increased further in November, with the rate of inflation accelerating. Panellists stated the rise was due to higher input costs which were passed on to clients. Cost burdens faced by service providers rose at a strong rate that was slightly below the series trend. Panel members noted that the increase in input costs was primarily due to higher goods prices.

Business confidence among service providers was robust in November, despite slipping to the joint-lowest since February. Where optimism was reported, firms linked this to planned investment and greater current new order volumes.

IHS Markit Final U.S. Composite PMI™

The final seasonally adjusted **IHS Markit U.S. Composite PMI™ Output Index** fell to 54.5 in November, down from 55.2 in October. Softer upturns in both the manufacturing and service sector led to a weaker overall output expansion.

Moreover, the latest composite index figure indicated the slowest growth in private sector activity since June.

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 slowest growth of service sector business activity since June, alongside a slight dip in the pace of manufacturing expansion, means the November PMI surveys registered a modest cooling in the overall rate of business growth. Mid-way through the fourth quarter, the surveys are still pointing to a reasonable GDP growth rate of approximately 2.5%.

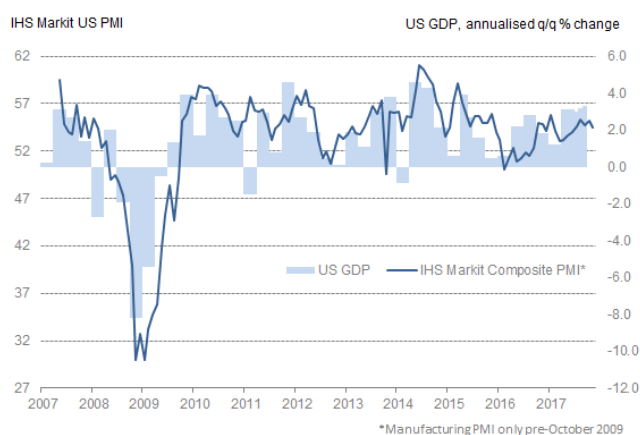
“The surveys’ employment indices are meanwhile pointing to solid non-farm payroll growth of circa 200,000 as companies continue to take on staff in encouraging numbers to meet rising order books.

“Disappointingly, optimism about the year ahead deteriorated as companies grew increasingly cautious about the outlook for 2018, suggesting risk aversion may start to rise, which could hit hiring and investment. However, for now, businesses generally remain in expansion mode and the upturn shows few signs of losing momentum to any significant extent.

“In terms of prices, the upturn continues to show

signs of gradually feeding through to higher inflationary pressure. Average selling prices for goods and services showed one of the largest increases recorded over the past four years, linked to rising cost pressures.”

IHS Markit Composite PMI and U.S. GDP



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

-Ends-

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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 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.

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