

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

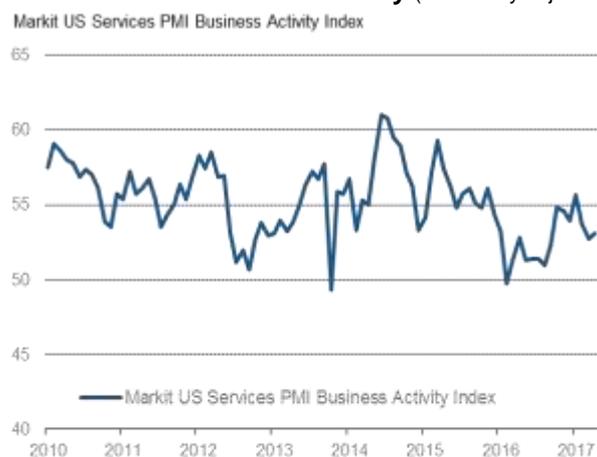
Business activity continues to rise at historically subdued pace in April

Key findings:

- New business continues to increase but at modest pace
- Slowest rise in employment since July 2010
- Input price inflation accelerates to highest level in 21 months

Data collected April 11-25

Service sector business activity (seasonally adjusted)



Source: IHS Markit.

Growth of business activity was sustained in April, albeit at a relatively modest pace in line with fairly limited gains in new orders. With companies able to comfortably deal with current workloads, staffing levels rose at the slowest pace in nearly seven years.

On the price front, input costs increased at a sharper rate, but competitive pressures meant that charges were raised to the weakest degree for five months.

The seasonally adjusted **Markit U.S. Services Business Activity Index** continued to record above the crucial 50.0 no-change mark during April,

registering 53.1, up from 52.8 in the previous month. Growth in activity has now been recorded in each survey period since March 2016.

That said, April's rate of expansion was well down on the survey average, which in part reflected another month of relatively subdued growth in new business. Albeit up since March, the latest rise in sales was the second-slowest in the past seven months.

Where an increase in new orders was recorded, this was linked to successful advertising campaigns and strengthened market activity. Panellists are widely expecting such factors to support further growth over the coming 12 months. April's survey revealed that over 34% of respondents are forecasting a rise in activity, with the overall degree of confidence the best in three months.

Faced with under-whelming growth in new business, the vast majority of companies (90%) reported no-change to their workforce numbers during the month. The net result was the weakest growth in employment signalled by the survey since July 2010.

Companies were able to comfortably deal with their existing workloads in April. Latest data showed that work outstanding was marginally down since March, and backlogs have now fallen for three months in a row.

US service providers signalled a further increase in their average operating expenses during April. Moreover, the rate of inflation accelerated for a second month in succession to reach its highest level since July 2015. Alongside a wide range of goods and services reported to have risen in price, panellists also commented on increased labour costs.

Finally, competitive pressures served to restrict service providers' ability to increase their own charges. Subsequently, average output prices rose at the slowest rate for five months.

Markit Final U.S. Composite PMI™

The final seasonally adjusted Markit U.S. Composite PMI™ Output Index rose to a level of 53.2 in April, up from 53.0 in the previous month.

While a slight improvement, and indicative of a solid increase in private sector output, the rate of growth remained down on those seen on average over the past six months.

Although manufacturing output continued to rise at a slightly faster rate than services activity, the rate of growth in the goods producing sector was the weakest seen for seven months.

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

Comment

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

“The final services PMI came in above the earlier flash estimate but remained only marginally higher than March’s six-month low.

“Combined with a weak manufacturing PMI reading, the surveys suggest that business activity is growing at a slower pace than seen over the first quarter as a whole.

“However, a robust rise is likely to be seen in second quarter GDP as the official numbers exhibit greater seasonality than the PMI, with consistently weak first quarters being typically followed by a rebound in subsequent periods. For this very reason, GDP data seemed to signal weaker growth than implied by the PMI in the first quarter of 2017.

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 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 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 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.

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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