

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

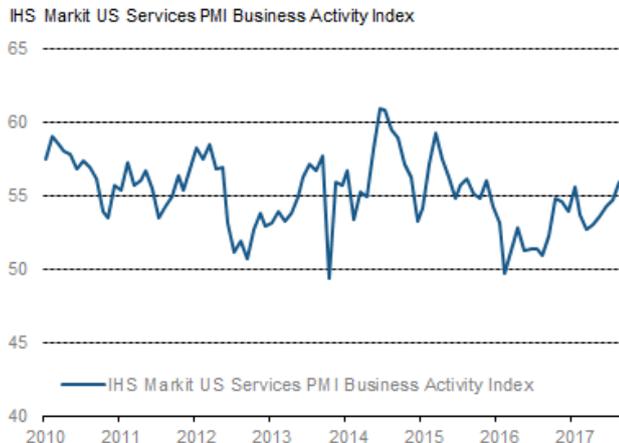
Business activity growth hits 21-month high

Key findings:

- Sharp increase in activity
- New business expands at strongest rate since July 2015
- Employment rises at quickest pace for nearly two years

Data collected August 11-25

Service sector business activity (seasonally adjusted)



Source: IHS Markit.

August data signalled an accelerated upturn in business activity across the US service sector. New orders also expanded at a quicker rate, with growth reaching a 25-month high. Higher activity and new business prompted firms to add to their payrolls again in August, and at the quickest rate for nearly two years. On the prices front, both input costs and output charges increased again, with rates of inflation reaching 26- and 35-month highs, respectively. Meanwhile, business confidence was the strongest since January, with firms encouraged by greater client demand.

The seasonally adjusted **IHS Markit U.S. Services Business Activity Index** registered 56.0 in August, up from July's reading of 54.7. The latest survey extended the current sequence of activity growth to 18 months. Moreover, the upturn was the fastest since November 2015, with a number of panellists stating that higher activity was underpinned by a greater willingness to spend among clients and improving market conditions.

Similarly, new business received by services companies increased sharply, supported by strong client demand. Furthermore, the expansion was the strongest since July 2015 and was well above the long-run series average.

Sustained growth in new orders placed further pressure on operating capacity, as shown by the level of outstanding business rising for the fourth month running in August. The pace of backlog accumulation was moderate and broadly in line with that seen in July. To accommodate greater workloads, firms hired staff at an accelerated rate. Notably, the pace of job creation was the strongest since September 2015.

Cost burdens faced by firms in the service sector continued to rise in August, extending the current inflationary trend which spans the entire series history. Notably, the pace of input price inflation was the fastest since June 2015. Panellists linked the latest increase to higher prices for raw materials and transportation. Stronger demand conditions generally enabled companies to pass on higher input prices in the form of greater output charges. Moreover, the rate of output price inflation was the fastest seen for nearly three years.

Business confidence among service providers remained robust in August, with the degree of positive sentiment reaching a seven-month high. Panellists noted that improving market conditions and forecasts of rising new orders had underpinned confidence.

IHS Markit Final U.S. Composite PMI™

The final seasonally adjusted **IHS Markit U.S. Composite PMI™ Output Index** rose to 55.3 in August, up from July's reading of 54.6.

The latest composite figure signalled the strongest expansion of private sector output since the start of 2017. Service sector firms reported a strong upturn in business activity, the fastest since November 2015. Conversely, manufacturers indicated a weaker increase in output, with growth edging down to a 14-month low in August.

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 US service sector moved up a gear in August, providing a welcome boost to the economy after the sister PMI survey showed slower manufacturing growth. The two PMI surveys collectively point to the fastest rate of economic expansion since January as businesses enjoyed a summer growth spurt.

“The strong survey data add to the expectation that the economy was picking up further momentum before hurricane Harvey hit, the impact of which is still a big unknown. While the pre-Harvey data were pointing to third quarter GDP rising at an annualised rate of 3.5%, this could now be slightly below 3.0%.

“Encouragingly, August saw companies become more optimistic about the year ahead, with confidence across manufacturing and services climbing to the highest since January. Any hurricane-related impact is therefore likely to result in only a temporary lull, with stronger growth returning later in the year.

“With new orders growth accelerating, backlogs of work rising and job creation buoyant, the surveys clearly point to an economy that's generally in expansion mode.

“For Fed-watchers, the upturn in price pressures sends an additional hawkish signal for policy. Average selling prices for goods and services rose at the steepest rate for nearly three years. Another rate hike in December is therefore looking increasingly likely.”

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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