

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0945 (EDT) / 1345 (UTC) September 22nd 2017

IHS Markit Flash U.S. PMI™

Robust private sector growth sustained during September. Input price inflation hits 27-month peak amid spike in manufacturing costs

Key findings:

- Flash U.S. Composite Output Index at 54.6 (55.3 in August). 2-month low.
- Flash U.S. Services Business Activity Index at 55.1 (56.0 in August). 2-month low.
- Flash U.S. Manufacturing PMI at 53.0 (52.8 in August). 2-month high.
- Flash U.S. Manufacturing Output Index at 52.4 (52.4 in August). Unchanged.

Data collected September 12-21

IHS Markit Composite PMI and U.S. GDP



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

September data revealed a strong increase in U.S. private sector business activity, with the rate of growth close to August's seven-month peak.

The latest expansion of private sector output was driven by a robust upturn in **services** activity, which contrasted with relatively subdued growth among **manufacturing** companies.

At 54.6 in September, the seasonally adjusted **IHS Markit Flash U.S. Composite PMI Output Index** was down slightly from 55.3 in August but still

comfortably above the 50.0 no-change value. Higher levels of private sector output have been recorded in each month since March 2016.

Robust business activity growth was supported by a further rise in **new work** received by private sector firms in September. However, the latest increase in new orders was the slowest for three months.

Weaker new business growth contributed to the softest pace of **job creation** since June. The moderation in employment growth was driven by the service sector, as manufacturing payroll numbers expanded at the quickest rate since December 2016.

Meanwhile, private sector **cost inflation** edged up to its strongest since June 2015. Increased cost pressures reflected the steepest rise in manufacturing input prices for almost five years.

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™

Service providers indicated a strong expansion of business activity during September. A 55.1, the seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index¹** was down only slightly from August's 21-month peak. The average reading for the third quarter as a whole (55.2) was the highest since Q3 2015.

Survey respondents noted that the resilient economic backdrop had contributed to rising consumer and business spending. A further robust

¹ 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 Non-Manufacturing Report on Business. No information from the ISM survey is used in the production of IHS Markit's PMI.

rise in **new work** led to solid **employment** growth and another increase in backlogs of work across the service sector in September.

Despite recording a sustained expansion of client demand, service providers are the least optimistic about the **business outlook** since September 2016. Some firms cited renewed concerns about their prospects for sales growth over the year ahead.

September data pointed to a slowdown in **input price inflation** from August's 26-month peak. However, average **prices charged** by service sector firms increased at one of the fastest rates seen over the past three years.

IHS Markit U.S. Manufacturing PMI™

Manufacturing business conditions continued to improve at a relatively subdued pace in September. At 53.0, up fractionally from 52.8 in August, the seasonally adjusted **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI)™²** remained weaker than its post-crisis trend (53.9).

September data indicated that **output** volumes increased at a moderate pace that was unchanged from August's 14-month low. Some manufacturers noted that Hurricane Harvey had led to temporary disruptions to production at their plants.

However, there were also signs of underlying fragility in September, with **new orders** expanding at one of the slowest rates seen over the past year. Latest data also indicated that **new export sales** remain close to stagnation.

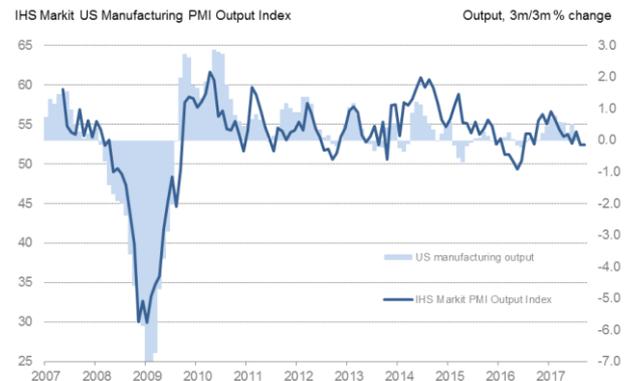
Backlogs of work increased for the second month running in September, which encouraged some firms to boost their **payroll numbers**. The rate of employment growth was the fastest so far in 2017.

Input price inflation was the steepest since December 2012. A number of manufacturers linked rising raw material prices to higher transportation costs and supply disruptions from Hurricane Harvey.

Latest data revealed intense pressure on **supply chains**, with vendor delivery times lengthening to the greatest extent since February 2015.

² 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. No information from the ISM survey is used in the production of IHS Markit's PMI.

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 US economy showed encouraging resilience in a month of hurricane disruption. Although the September surveys indicated a moderation in growth of business activity, the overall rate of expansion remained robust. Historical comparisons of the PMI with GDP indicate that the surveys point to the economy growing at an annualised rate of just over 2% in the third quarter.

“Similarly, the overall rate of job creation remained solid, historically consistent with non-farm payrolls rising by 180,000 in September.

“The biggest impact of Hurricane Harvey was evident in manufacturing supply chains, where resultant supply shortages were a key driver of higher prices. Supply delays were the most widespread in two and a half years, while input price inflation rose to the highest since 2012.

“The manufacturing sector, which was already struggling in August, consequently acted as an increasing drag on the economy, leaving services as the main growth driver. The survey is consistent with a slight deterioration in comparable official manufacturing output data.

“While repair work in the aftermath of Hurricane Harvey may boost short-term business activity in coming months, a drop in business optimism about the year ahead suggests that companies have become less confident in the longer-term outlook.”

-Ends-

For further information, please contact:

IHS Markit

Tim Moore, Associate Director
Telephone +44-1491-461-067
Email tim.moore@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44207 260 2234
E-mail joanna.vickers@ihsmarkit.com

Note to Editors:

Final September data are published on October 2 for manufacturing and October 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.

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.

IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners © 2017 IHS Markit Ltd. All rights reserved. If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, [click here](#).

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.

The intellectual property rights to the Flash U.S. PMI™ provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd.