

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0945 (EDT) / 1345 (UTC) July 24th 2017

IHS Markit Flash U.S. PMI™

Sharpest expansion of US private sector output for six months in July

Key findings:

- Flash U.S. Composite Output Index at 54.2 (53.9 in June). 6-month high.
- Flash U.S. Services Business Activity Index at 54.2 (54.2 in June). Unchanged vs. last month.
- Flash U.S. Manufacturing PMI at 53.2 (52.0 in June). 4-month high.
- Flash U.S. Manufacturing Output Index at 54.3 (52.6 in June), 4-month high.

Data collected July 12-21

IHS Markit Composite PMI and U.S. GDP



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

July data revealed a further acceleration in business activity growth across the U.S. private sector. At 54.2, up from 53.9 in June, the seasonally adjusted **IHS Markit Flash U.S. Composite PMI Output Index** signalled the strongest rate of expansion since January.

The pickup in business activity growth was driven by a steeper increase in **manufacturing production** in July ('flash' output index at 54.3, up from 52.6 in June). Meanwhile, **service providers** indicated that activity growth was unchanged from

June's five-month peak ('flash' business activity index at 54.2 in July).

Higher levels of business activity were supported by a robust and accelerated upturn in new work during July. Measured overall, the latest increase in new orders received by private sector companies was the strongest for six months.

Private sector payroll numbers expanded at a solid pace in July, with the rate of job creation the fastest so far in 2017.

Meanwhile, stronger input price pressures across the manufacturing sector contrasted with a moderation in cost inflation among service providers in July.

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 Flash U.S. Services PMI™

The seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index¹** registered 54.2 in July, which was unchanged from June and signalled the joint-fastest rate of expansion since January.

Survey respondents cited an improving economic backdrop and greater willingness to spend among clients in July. Reflecting this, latest data revealed the strongest upturn in new work received by service sector firms for exactly two years.

A robust expansion in new business intakes led to stronger job creation and a sustained rise in volumes of work outstanding in July.

Meanwhile, input cost inflation eased slightly from

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.

June's recent peak. Anecdotal evidence suggested that higher staff salaries had placed upward pressure on costs, which lower fuel bills had helped moderate the overall pace of input cost inflation in July. Softer cost inflation led to the slowest rise in average prices charged for three months.

IHS Markit Flash U.S. Manufacturing PMI™

Manufacturing firms remained in expansion mode during July, with overall business conditions improving at the fastest pace for four months. This was highlighted by the seasonally adjusted **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**² rising to 53.2, from 52.0 in June.

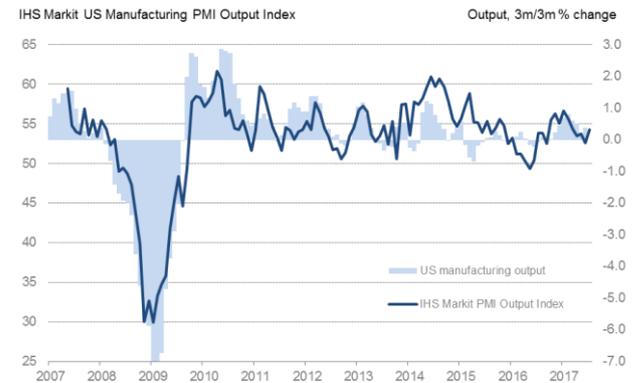
The stronger PMI reading was supported by accelerated growth in output, new orders, employment and stocks of inputs during July.

Manufacturers linked higher volumes of new work to improving demand conditions and signs of reduced risk aversion among clients. Greater sales contributed to robust and accelerated rise in input buying in July, with the rate of expansion the fastest for five months.

July data meanwhile pointed to a slight rebound in input cost inflation from the 15-month low seen during June. Some manufacturers commented on higher commodity prices (especially metals).

Despite increased input costs, factory gate price inflation moderated in July to its weakest since November 2016.

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 July PMI surveys show an economy gaining growth momentum at the start of the third quarter, enjoying the strongest monthly improvement in business activity since January.”

“The overall rate of expansion remains modest rather than impressive. The surveys are historically consistent with annualized GDP growth of approximately 2%, but the signs are that growth could accelerate further in coming months.”

“Most encouraging was an upturn in new order inflows to the second-highest seen over the past two years, which helped push the rate of job creation to the highest so far this year, indicative of non-farm payrolls growing at a rate of around 200,000.”

“The principal weak spot in the economy remained exports, with foreign goods orders dropping – albeit only marginally – for the first time since last September, often blamed on the strength of the dollar.”

-Ends-

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Note to Editors:

Final July data are published on August 1 for manufacturing and August 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 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.

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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.

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