News Release

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

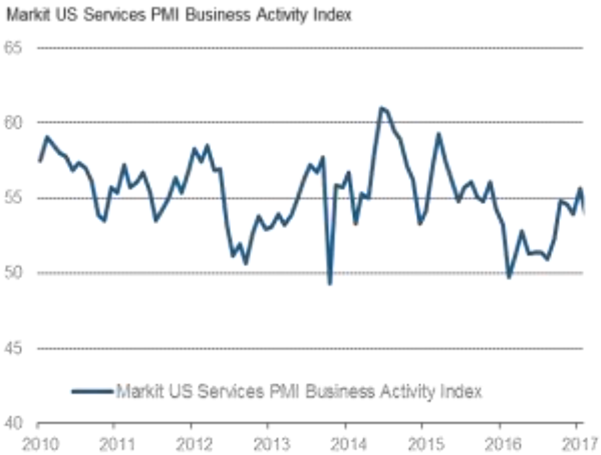
Growth of service sector output dips to five-month low

Key findings:

- Rates of expansion in activity and new work ease from January peaks
- Outstanding business falls for first time in three months
- Relatively muted price pressures signalled

Data collected February 10-23

Service sector business activity (seasonally adjusted)



Source: IHS Markit.

February data pointed to a slowdown in U.S. service sector growth. Rates of expansion in activity, new work and employment all eased. Meanwhile, volumes of work-in-hand were depleted for the first time since November last year. Sentiment regarding the year ahead also weakened, despite remaining upbeat overall. On the price front, both input costs and output charges increased at slower rates.

The seasonally adjusted **Markit U.S. Services Business Activity Index** dropped from January's 14-month high of 55.6 to 53.8 in February. Though still signalling a solid expansion of service sector output, the latest reading was the lowest in five months and below the long-run series average (55.3). Panellists nevertheless indicated that activity had been bolstered by new contract wins and the launch of new products.

In line with the trend seen for output, new business in the service sector rose at a slower pace in February. Growth moderated to a five-month low, having reached its highest in one-and-a-half years at the start of 2017. The rise was still robust overall, however, with some firms reporting a higher customer turnout in the latest period.

The expansion of new work was sufficient to motivate service providers to take on additional staff during February. The rate of hiring eased since January, but remained solid overall and broadly similar to the historical average. A number of survey participants commented on efforts to expand capacity.

Data highlighted a slight drop in backlogs of work at services companies. The fall ended a two-month sequence of growth. Latest figures suggested that firms had been able to work through their outstanding business amid relatively subdued growth of demand.

Service providers continued to see margins squeezed during February, although there were signs of cost pressures abating. While the rate of input price inflation again outstripped that for firms' charges, it slowed to a modest pace that was the least marked in five months. Selling prices also rose at a weaker pace, however, with some companies opting to give discounts in the face of rising competition.

The slowdown in business activity growth appeared to filter through to sentiment about the year ahead. Optimism was the weakest since September 2016.

That said, the respective index was still comfortably in positive territory, with improving demand, new products, innovation, business expansions and the end of the election cycle all mentioned as factors expected to drive activity growth.

Markit Final U.S. Composite PMI™

Adjusted for seasonal influences, the final Markit U.S. Composite PMI™ Output Index fell from 55.8 in January to 54.1. February's reading was indicative of a robust expansion in private sector activity. That said, it also pointed to a slowdown in growth – the index was down from January's 14-month high and below the average since the series started in October 2009 (55.3). The easing was mainly centred on the dominant service sector.

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:

"Taken together, the PMI survey readings for the first two months of the year suggest the economy is growing in the first quarter at a respectable annualised rate approaching 2.5%.

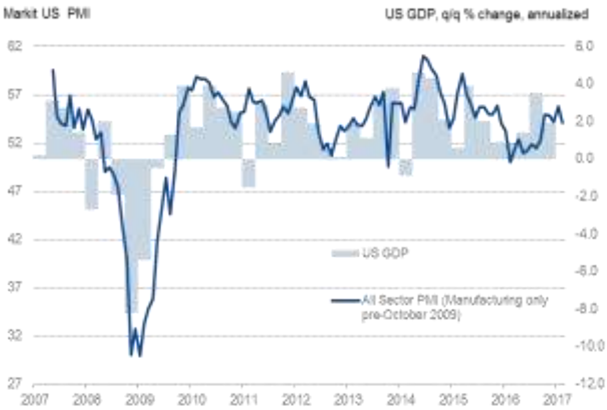
"The burning question is whether the February slowdown merely represents some pay-back after a strong start to the year for US businesses, or whether it's the start of a more entrenched slowdown.

"A warning clue rests with the business expectations index, which indicates that business optimism has mellowed back to its post-election level, suggesting that companies are becoming more cautious with regard to spending and hiring.

"However, companies continue to report buoyant domestic demand, especially from consumers, and continue to take on staff in reasonable numbers, the rate of hiring having slowed only modestly. The February survey is broadly consistent with 175,000 payroll jobs being added, which represents a pace of hiring that will do little to deter the Fed from delaying its next rate hike."

-Ends-

Markit Composite PMI and U.S. GDP



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

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Note to Editors:

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 indictors 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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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.