

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0945 (EDT) / 1345 (UTC) June 23rd 2017

IHS Markit Flash U.S. PMI™

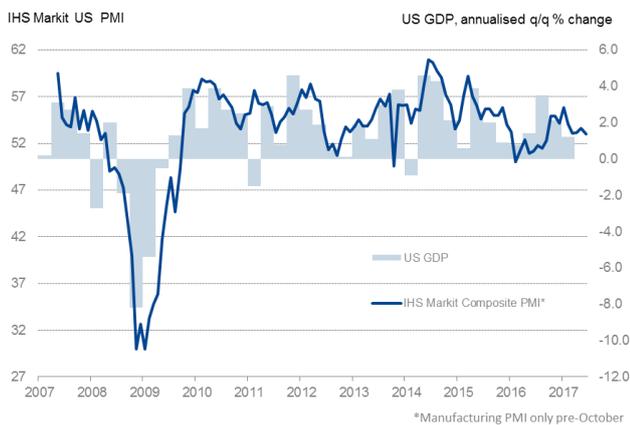
Private sector output growth slows in June, but new orders rise at strongest pace for five months

Key findings:

- Flash U.S. Composite Output Index at 53.0 (53.6 in May). 3-month low.
- Flash U.S. Services Business Activity Index at 53.0 (53.6 in May). 3-month low.
- Flash U.S. Manufacturing PMI at 52.1 (52.7 in May). 9-month low.
- Flash U.S. Manufacturing Output Index at 52.9 (53.7 in May), 9-month low.

Data collected June 12-22

IHS Markit Composite PMI and U.S. GDP



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

U.S. private sector firms recorded a further solid expansion of business activity in June, but there was a loss of momentum since May. This was highlighted by the seasonally adjusted **IHS Markit Flash U.S. Composite PMI Output Index** falling from 53.6 to 53.0 in June. The latest reading signalled the slowest upturn in business activity for three months.

Companies operating in both the service economy

(‘flash’ business activity index at 53.0 in June) and manufacturing sector (‘flash’ output index at 52.9) experienced a growth slowdown since May. The latest increase in manufacturing output was the least marked since September 2016.

There were more positive developments in terms of client spending, with private sector companies recording the sharpest rise in new work since January. Greater sales volumes contributed to a rebound in business optimism to its strongest level since the start of 2017, with service providers particularly confident about their growth prospects for the next 12 months.

Staff recruitment also picked up in June, with payroll numbers expanding at the strongest pace for four months. Meanwhile, input cost inflation remained softer than the 22-month peak seen in April. However, average prices charged by private sector firms increased at the fastest pace so far this year. A number of survey respondents cited efforts to alleviate squeezed margins in June.

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** eased to 53.0 in June, from 53.6 in May, to signal the slowest upturn in service sector output since March.

June data pointed to a robust and accelerated rise in new business intakes across the service economy. The latest increase in new work was the

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.

fastest since January, which contributed to a further rebound in job creation from April's low. Meanwhile, service providers indicated an upturn in their expectations for business activity growth during the next 12 months, with the degree of confidence the strongest since January.

Input cost pressures intensified in June, which survey respondents linked to higher staff salaries and rising raw material prices. Measured overall, the rate of input cost inflation was the strongest for two years. Efforts to alleviate pressures on margins led to a further solid increase in prices charged by service sector firms. The latest rise in output prices was the fastest since April 2015.

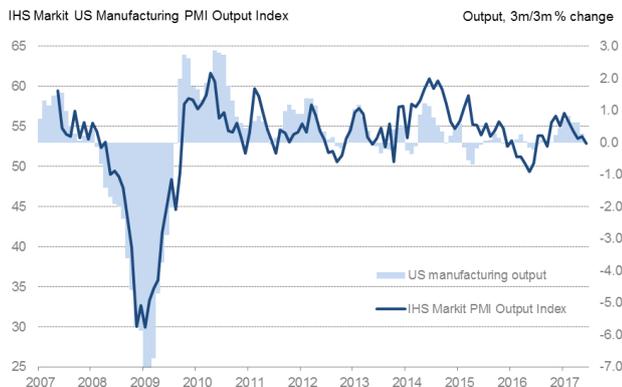
IHS Markit Flash U.S. Manufacturing PMI™

At 52.1 in June, down from 52.7 in May, the seasonally adjusted **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI)™²** pointed to the slowest improvement in overall business conditions since September 2016.

The weaker PMI reading largely reflected softer rates of output and new business growth in June, which more than offset stronger contributions from job creation and inventory building.

Meanwhile, latest survey data revealed a marked slowdown in input price inflation to its weakest since March 2016. Lower cost pressures led to a moderation in factory gate price inflation in June. The latest rise in manufacturers' output charges was the least marked since September 2016.

Manufacturing output



Sources: IHS Markit, U.S. Federal Reserve.

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Comment

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

“The economy ended the second quarter on a softer note. The June PMI surveys showed some pay-back after a strong May, indicating the second-weakest expansion of business activity since last September.

“The average expansion seen in the second quarter is down on that seen in the first three months of the year, indicating a slowing in the underlying pace of economic growth. While official GDP data are expected to turn higher in the second quarter after an especially weak start to the year (our recent GDP tracker based on various official and survey data points to 3.0% growth), the relatively subdued PMI readings suggest there are some downside risks to the extent to which GDP will rebound.

“Historical comparisons of the PMI against GDP indicates that the PMI is running at a level broadly consistent with the economy growing at a 0.4% quarterly rate (1.5% annualized) in the second quarter, or just over 2% once allowance is made for residual seasonality in the official GDP data.

“There are signs, however, that growth could pick up again: new orders showed the largest monthly rise since January, business optimism about the year ahead perked up and hiring remained encouragingly resilient. The survey is indicative of non-farm payroll growth of approximately 170,000.

“Average prices charged for goods and services meanwhile showed one of the largest rises in the past two years, pointing to improved pricing power amid healthy demand.”

-Ends-

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Note to Editors:

Final June data are published on July 3 for manufacturing and July 6 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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