

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

### Business activity expansion accelerates to six-month high

#### Key findings:

- Output growth quickens to sharp rate
- Upturn in new business strongest since March 2015
- Input price inflation accelerates to fastest since June 2015

Data collected February 12-23

#### Service sector business activity (seasonally adjusted)



Source: IHS Markit.

Business activity across the U.S. service sector expanded sharply in February, according to the latest PMI data. The upturn in output accelerated to the fastest since August 2017. In addition, greater client demand led to a steep rise in new business, which rose at the strongest pace in almost three years. Capacity pressures intensified as a result of the upswing in demand, with backlogs of work accumulating to the greatest extent since March 2015.

Meanwhile, rates of both input and output price inflation accelerated, with the former reaching the fastest since June 2015.

The seasonally adjusted final **IHS Markit U.S. Services Business Activity Index** registered 55.9 in February, up from 53.3 in January. Following a nine-month low in the previous survey period, the rate of expansion in business activity picked up to the fastest since August 2017. Service providers generally attributed the sharp rise in output to greater client demand.

More favourable demand conditions drove the latest rise in new business, with panellists linking the upturn to the acquisition of new clients and investment in new facilities. Moreover, the rate of growth accelerated for the second consecutive month to the quickest in almost three years.

On the prices front, cost burdens faced by service providers continued to rise in February. The rate of input price inflation accelerated to the fastest since June 2015. Where higher input costs were reported, panellists commonly linked this to higher fuel and raw material prices.

Meanwhile, amid larger cost burdens and greater client demand, average charges also rose further as firms protected margins. Moreover, the pace of inflation quickened to the sharpest for five months.

In line with expansions in output and new business, firms stepped up their hiring in February. Higher employment levels were commonly attributed to greater capacity requirements, with the latest increase in payroll numbers reaching a six-month high.

Capacity pressures were also reflected in a solid rise in the level of outstanding business. The rate of order book accumulation strengthened for the third successive month to reach the highest in almost three years.

Finally, business expectations towards the year ahead outlook remained elevated in February. The degree of optimism reached a 13-month high, with a number of panel members linking confidence to upcoming marketing campaigns and more favourable domestic economic conditions.

### IHS Markit Final U.S. Composite PMI™

The final seasonally adjusted **IHS Markit U.S. Composite PMI™ Output Index** rose to 55.8 in February, from 53.8 in January. Despite the manufacturing sector registering a slightly slower output expansion, private sector growth was driven by service providers who signalled a sharp upturn in business activity.

The overall increase in output the joint-strongest since November 2015.

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:

*“A surge in service sector activity comes as welcome news after a disappointing couple of months, especially as it was accompanied by further robust manufacturing growth in February. So far, the two PMI surveys point to the economy expanding at a steady 2.5% annualised rate in the first quarter.*

*“With growth of new orders across the two sectors collectively growing at the fastest rate for three years, March could also prove to be a good month for business activity, rounding off a solid opening quarter or the year.*

*“Capacity is clearly being strained by the upturn in demand, as indicated by the largest build-up of uncompleted orders for nearly three years and reports of increasingly stretched supply chains.*

*“Encouragingly, business optimism about the year ahead has risen to one of the highest seen over the past three years, suggesting firms will remain in expansion mode to take advantage of the upturn.*

*Hiring and business investment should therefore continue to rise in coming months.*

*“The concern is that prices continue to rise as demand outstrips supply. Average prices charged for goods and services showed the largest monthly rise since September 2014, which is likely to feed through to higher consumer price inflation.”*

### 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](mailto:economics@ihsmarkit.com).

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