

Embargoed until 0945 EST (1445 UTC) 6 December 2018

## IHS MARKIT US SERVICES PMI™

INCLUDING IHS MARKIT US COMPOSITE PMI™

### Slowest new business growth since October 2017

#### KEY FINDINGS

New order expansion remains solid

Strong upturn in business activity

New export orders increase at fastest rate since May

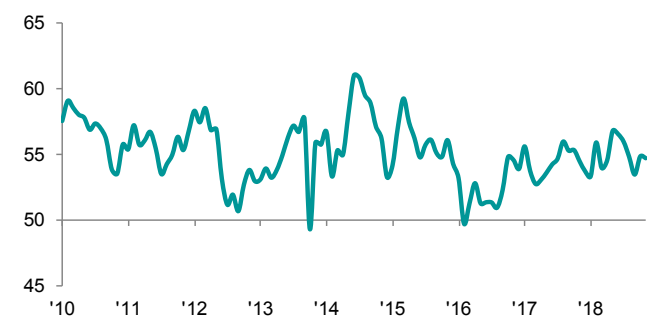
Growth momentum in business activity across the U.S. service sector was maintained in November, with firms registering a strong expansion in output. Foreign demand strengthened, leading to the fastest rise in new export business for six months. However, the upturn in overall new business moderated from rates seen earlier in the year. In line with a slowdown in new order growth, workforce numbers were expanded at the weakest rate since June 2017. Meanwhile, input prices continued to rise at a historically sharp rate. Subsequently, firms increased output prices charged further.

The seasonally adjusted final IHS Markit U.S. Services Business Activity Index registered 54.7 in November, broadly in line with a figure of 54.8 seen in October. The strong rise in business activity was linked by service providers to a sustained rise in new business and robust client demand. Although down on rates of expansion seen earlier in the year, the increase was faster than the previously released flash figure of 54.4.

New business received by service providers continued to expand in November, extending the trend seen since data collection began in late-2009. Panellists suggested the rise in new orders was due to new client acquisitions and more favourable market conditions. Although the rate of growth was strong overall, it was the slowest for 13 months and signalled a moderation in growth momentum compared to earlier in the year.

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

Meanwhile, new export business increased at a quicker pace in November. Panellists registered a moderate rise in new orders from abroad that was the fastest since May.

In line with a sustained upturn in new business, service providers indicated a further need to expand workforce numbers. Greater business requirements pushed firms to increase employment at a solid rate. That said, the pace of job creation was the slowest since June 2017.

Reduced strain on capacity was also reflected in a slower accumulation of backlogs. The level of outstanding business rose only modestly in November.

On the price front, cost burdens faced by service sector firms rose at a strong rate. The pace of inflation was faster than the long-run series average, with greater input prices reportedly linked by survey respondents to higher fuel and labour costs.

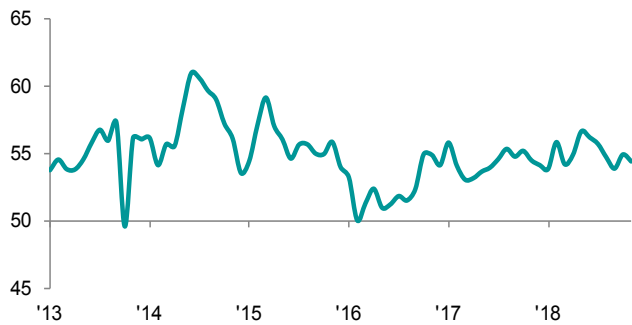
Robust client demand and greater cost burdens led to a further increase in output charges, with service providers registering a relatively sharp rise. Panellists stated that higher selling prices were linked to the partial pass-through of larger cost burdens to clients.

Finally, service sector firms expressed a lower degree of optimism towards future business activity growth in November. Although well above the 50.0 no change mark, confidence was below both the series and year-to-date averages.

IHS MARKIT US COMPOSITE PMI™

## Weakest rise in composite new orders for 13 months in November

Composite Output Index  
sa, >50 = growth since previous month



Source: IHS Markit

Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

The US Composite Output Index is a weighted average of the US Manufacturing Output Index and the US Services Business Activity Index. The Composite Output Index posted 54.7 in November, down slightly from 54.9 in October. The overall expansion in the US private sector was strong overall, despite slower rates of growth in both the manufacturing and service sectors.

Notably, the upturn in new orders softened to the slowest since October 2017, despite a slightly stronger expansion in the manufacturing sector. Conversely, new export orders from abroad strengthened as foreign demand increased across the private sector.

Both manufacturers and service providers continued to register a historically sharp rise in input costs, despite the rate of inflation moderating. Higher fuel and labour costs were commonly attributed to the rise in cost burdens, with manufacturers reporting ongoing concerns surrounding tariffs.

Consequently, private sector firms increased their output charges further. Favourable domestic and foreign demand conditions allowed companies to raise prices strongly.

Finally, the overall degree of confidence towards future output growth weakened in November. More tentative forecasts for the year ahead were registered by both goods producers and service providers, with the former raising concerns surrounding the sustainability of the current sequence of new order growth.

### COMMENT

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

*“The PMI surveys paint a picture of an economy growing at a solid annual rate of 2.5% so far in the fourth quarter, and continuing to add jobs in impressive numbers. Although some cooling in the rate of job creation was seen in November, the surveys are still pointing to payrolls growing at monthly rate of around 185,000.*

*“The surveys therefore add to evidence that the domestic economy remains in good health, generating balanced growth across both manufacturing and services and increasingly outperforming other major economies.*

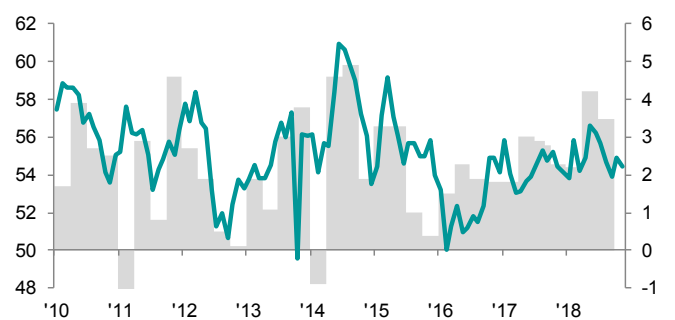
*“However, while new business growth remained encouragingly resilient, it has eased to the lowest in over a year as demand showed some signs of softening, linked partly to growing concerns over trade wars, slower global demand growth, rising political uncertainty and tighter financial conditions. Such concerns have also dampened business expectations about the year ahead, adding to signs that growth may have peaked, though any slowing in growth looks likely to be only modest.”*

Composite Output Index

sa, >50 = growth since previous month

Gross Domestic Product (GDP)

%qtr/qr, annualised



Sources: IHS Markit, Bureau of Economic Analysis.

## CONTACT

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### Methodology

The IHS Markit US Services PMI™ is compiled by IHS Markit from responses to questionnaires sent to a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

November 2018 data were collected 12-27 November 2018.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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