

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
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## IHS Markit Flash U.S. Composite PMI™

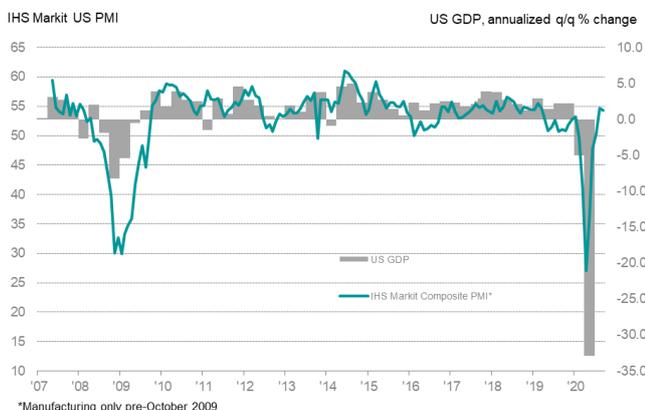
### Solid rise in private sector business activity in September

**Key findings:**

- Flash U.S. Composite Output Index at 54.4 (54.6 in August). 2-month low.
- Flash U.S. Services Business Activity Index at 54.6 (55.0 in August). 2-month low.
- Flash U.S. Manufacturing PMI at 53.5 (53.1 in August). 20-month high.
- Flash U.S. Manufacturing Output Index at 53.3 (52.7 in August). 10-month high.

Data collected September 11-22

#### IHS Markit Composite PMI and U.S. GDP



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

U.S. companies signalled a further solid rise in business activity during September, albeit one that was slightly weaker than seen in August, rounding off a solid third quarter. Manufacturers and service providers alike noted strong expansions in output, with goods producers registering a faster rise in production.

Adjusted for seasonal factors, the **IHS Markit Flash U.S. Composite PMI Output Index** posted 54.4 at the end of the third quarter, down slightly on 54.6 seen in August. The index's quarterly average was

the highest since the opening three months of 2019.

The composite index is based on original survey data from IHS Markit's PMI surveys of both services and manufacturing. Although the pace of expansion slipped slightly from that seen in August, the solid upturn in private sector output was a marked improvement following the substantial drops in activity during the second quarter, with the downturn having peaked in April at the depths of the pandemic.

Meanwhile, new orders increased for the second successive month, growing at the fastest rate since February 2019. The strong expansion was largely linked to an acceleration in the pace of new business growth at service providers. Companies continued to report a recovery in foreign client demand, notably for services, although the overall pace of new export order growth eased following a slowdown in manufacturers' foreign sales.

Although pressure on operating capacity persisted in September, the rate of backlog accumulation slowed slightly, largely due to recent hiring. Manufacturers and service providers both recorded slower increases in outstanding business, which reflected further growth of payroll numbers.

Private sector firms remained optimistic regarding the outlook for output over the coming 12 months at the end of the third quarter, but the overall degree of confidence dropped to a four-month low. Election uncertainty and the ongoing pandemic reportedly weighed on sentiment.

Companies meanwhile raised their average selling prices at the fastest pace since October 2018 in September, amid a further sharp increase in cost burdens. Both good producers and service

providers recorded quicker increases in selling prices.

### IHS Markit Flash U.S. Services PMI™

The seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index** registered 54.6 in September, down slightly from 55.0 in August. Nonetheless, the rate of expansion was the second-fastest since March 2019 and solid overall. Firms noted that increased business activity stemmed from the resumption of client operations following lockdowns.

The rate of new business growth quickened in September, and was the strongest for 18 months. The pick-up in sales was commonly linked to firmer demand conditions. New business from abroad also rose at a strong pace, with growth slowing only slightly from August's record high.

Meanwhile, employment continued to increase solidly, albeit at a softer pace than in August following a slower upturn in backlogs of work. Business expectations also moderated amid election and coronavirus disease 2019 (COVID-19) uncertainty.

On the prices front, service providers increased their selling prices steeply in September alongside a sharp rise in cost burdens. Firms reportedly sought to pass on higher input prices to clients, especially the costs of PPE.

### IHS Markit Flash U.S. Manufacturing PMI™

Manufacturers indicated the fastest improvement in operating conditions since January 2019 in September, as highlighted by the **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**<sup>1</sup> posting 53.5, up from 53.1 in August. The expansion was solid overall, signalling a further recovery from April's nadir.

The overall upturn was supported by a faster rise in production at manufacturers, with a further increase in new orders and the resumption of operations at clients helping drive growth. New business rose at a solid pace that was broadly similar to August's 19-month high.

The expansion in new export orders slowed,

however, and was only marginal overall.

At the same time, output charges rose at the fastest rate since January 2019, as firms partially passed higher costs on to clients following sustained growth in demand.

Goods producers registered a slower increase in backlogs of work in September as pressure on capacity eased. As such, firms expanded their workforce numbers at a slightly softer pace.

In line with their service sector counterparts, manufacturers were less confident of an increase in output over the coming 12 months in September. Firms often linked the moderation in optimism to operational difficulties and the ongoing COVID-19 pandemic.

### Comment

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

*"US businesses reported a solid end to the third quarter, with demand growing at a steepening rate to fuel a further recovery of output and employment."*

*"The survey data therefore add to signs that the economy will have enjoyed a solid rebound in the third quarter after the second quarter slump."*

*"The question now turns to whether the economy's strong performance can be sustained into the fourth quarter. Covid-19 infection rates remain a major concern and social distancing measures continue to act as a dampener on the overall pace of expansion, notably in consumer-facing services. Uncertainty regarding the presidential election has also intensified, cooling business optimism about the year ahead. Risks therefore seem tilted to the downside for the coming months, as businesses await clarity with respect to both the path of the pandemic and the election."*

-Ends-

<sup>1</sup> 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 surveys. No information from the ISM survey is used in the production of IHS Markit's PMI.

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**Note to Editors:**

Final September data are published on October 1 for manufacturing and October 5 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](mailto:economics@ihsmarkit.com).

**About IHS Markit ([www.ihsmarkit.com](http://www.ihsmarkit.com))**

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and 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 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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