News Release

Embargoed until 0945 EDT (1345 UTC) 3 April 2019

IHS MARKIT US SERVICES PMI™

INCLUDING IHS MARKIT US COMPOSITE PMI™

Solid upturn in services activity, but business expectations drop to lowest since December 2017

KEY FINDINGS

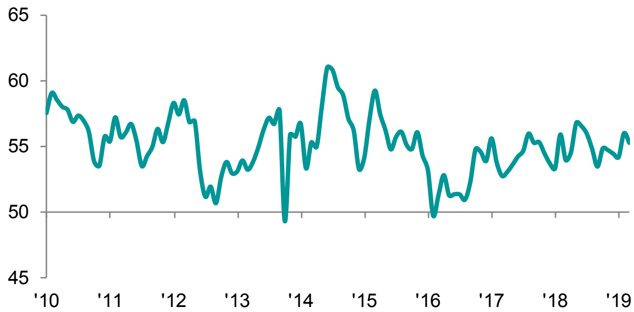
Business activity and new order growth rates soften, but remain strong

Degree of business optimism at 15-month low

Pace of cost inflation relatively subdued

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

March data signalled a further strong expansion in business activity across the U.S service sector. The rise was slightly softer than that seen in February, but was nonetheless supported by a solid increase in new orders and a further upturn in new business from abroad. On the prices front, inflationary pressures eased in March. The rate of increase in charges was the slowest since October 2017 and input cost inflation posted below the series trend. Despite strong output growth and client demand, business confidence dipped to the lowest level since December 2017.

The seasonally adjusted final IHS Markit U.S. Services Business Activity Index registered 55.3 in March, down slightly from 56.0 in February. The rate of expansion was broadly in line with the series average and rounded off a strong start to 2019. The first quarterly average signalled the fastest service sector output growth since the second quarter of 2018. Moreover, March data indicated the second-quickest upturn in business activity since July 2018, with firms linking this to robust client demand.

New business received by service sector firms also expanded at a softer, albeit strong rate in March. The rise in new orders was attributed to greater demand from new and exisiting clients. Although the pace of growth was slightly below the series trend, it was one of the strongest seen over the last five months.

Meanwhile, new export business increased for the second month running, often linked to the acquisition of new clients.

Nevertheless, service providers expressed a lower degree of confidence towards the outlook for output over the coming 12 months in March. Although service sector firms were buoyed by hopes of further new business growth, they highlighted concerns surrounding uncertainty regarding global trade tensions, economic growth worries and more intense competition. The level of optimism dropped to the lowest since December 2017 and was muted overall.

Inflationary pressures continued to soften in March. Rates of both input price and output charge inflation eased, with service sector cost burdens rising at a relatively modest pace. Firms stated that labour and raw material costs had increased further, but to a less marked extent. The rate of output charge inflation was broadly in line with the series trend despite easing to the slowest since October 2017. Panellists suggested that higher output prices were linked to the pass-through of greater input costs to clients.

In line with a strong upturn in new business, service providers noted a third successive rise in outstanding business. The rate of backlog accumulation was the joint-fastest since November 2014 and solid overall. That said, pressure on capacity was not reflected in employment growth, where the rate of job creation slowed to the weakest since May 2017, linked in part to lower business confidence.

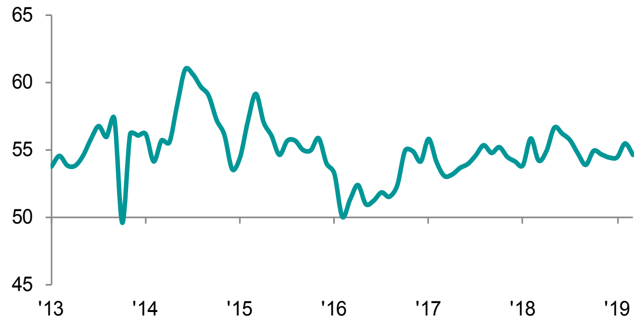
PMI™ By IHS Markit

IHS MARKIT US COMPOSITE PMI™

Strong rise in private sector output in March

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 PMI Output Index is a weighted average of the US Manufacturing PMI Output Index and the US Services Business Activity Index. The Composite PMI Output Index registered 54.6 in March, down from 55.5 in February. The overall increase was driven by the service sector, with manufacturing firms registering only a marginal rise in output.

Similarly, a strong upturn in new business across the service sector supported a solid private sector expansion. Manufacturing firms noted a moderate rise in new orders, but the rate of growth was the slowest since June 2017 amid reports of softer underlying demand. New export orders remained in expansionary territory in March, with both manufacturing and service sector firms signalling an increase in foreign demand.

Inflationary pressures eased further in March, with input price inflation dipping to a two-year low. In response, panellists noted a solid, but softer rise in output charges. The rate of output price inflation was just above the series average but less marked than the trend for 2018.

Capacity pressures remained evident in March, with private sector employment and backlogs increasing at a modest pace. Manufacturers continued to signal a solid rise in workforce numbers, but service providers indicated the slowest rate of job creation since May 2017.

Private sector business confidence took a tumble in March, with the degree of optimism dipping to the lowest since September 2016.

COMMENT

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

"Another solid service sector performance helped offset a deteriorating trend in manufacturing to leave the PMI surveys indicative of robust economic growth in March. For the first quarter as a whole, the surveys are consistent with the economy growing at an annualized rate of approximately 2.5%, painting a relatively rosy picture compared to official data, which so far suggest GDP could come in slightly weaker.

"Dig deeper and the picture darkens. Inflows of new work have moderated markedly compared to this time last year as manufacturing weakness and growing concerns about the economic outlook have increasingly spread to the service sector. Business optimism about the year ahead is now the lowest for two and a half years, posing downside risks to growth in coming months.

"Hiring has already been hit by the drop in business optimism and weakened inflows of new work, easing to the lowest since mid-2017, albeit still indicating non-farm payroll growth of around 165,000.

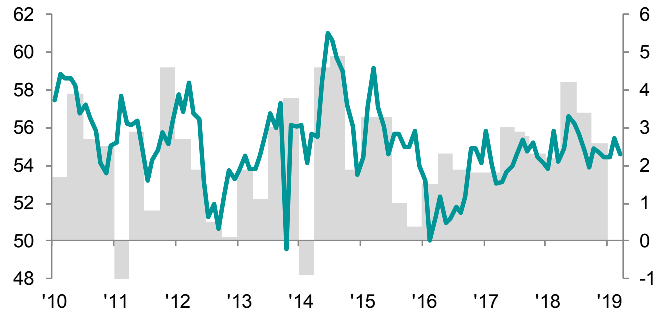
"However, the surveys also provide evidence that hiring is in part being constrained by labor shortages, which is limiting capacity in both manufacturing and services, causing backlogs of work to build up again in March and suggesting that businesses – especially in the service sector – will remain busy in the near term at least."

Composite Output Index

sa, >50 = growth since previous month

Gross Domestic Product (GDP)

%qr/qr, annualised



Sources: IHS Markit, Bureau of Economic Analysis.

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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.

March 2019 data were collected 12-26 March 2019.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

About IHS Markit

IHS Markit (Nasdaq: 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.

About PMI

Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 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 ihsmarkit.com/products/pmi.html.

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