News Release

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IHS MARKIT US SERVICES PMI™

INCLUDING IHS MARKIT US COMPOSITE PMI™

Joint-weakest rise in new business since October 2017

KEY FINDINGS

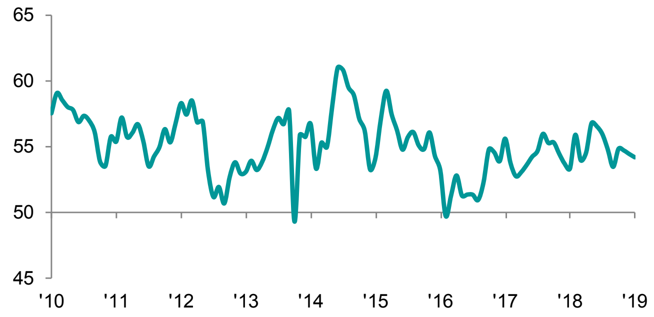
Rate of new order growth matches December's recent low

Activity expansion softest in four months

Price pressures ease to 22-month low

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

January data signalled a further upturn in business activity across the service sector. The rise in output was the slowest for four months, amid one of the softest increases in new business seen for more than a year. Although only fractional, new export orders fell for the second successive month. In line with a slower rise in new business, employment growth eased to the second-weakest since June 2017. However, firms registered a stronger degree of confidence towards business activity levels over the coming 12 months.

The seasonally adjusted final IHS Markit U.S. Services Business Activity Index registered 54.2 in January, down slightly from 54.4 in December. Anecdotal evidence linked the solid rise in business activity to a sustained increase in new orders and greater client demand. That said, the rate of expansion was the softest for four months and weaker than both the series trend and the average seen in 2018.

New business received by service providers continued to increase at a solid rate, and one that matched that seen in December. The upturn was, however, the joint-slowest since October 2017. Where a rise was reported, panellists often attributed this to the release of new product lines and solid domestic demand. Others, meanwhile, suggested client demand growth remained subdued in comparison to the first half of 2018.

Service sector firms noted a decrease in foreign client demand in January, signalling the second successive month the respective seasonally adjusted index has posted below the 50.0 no change mark. The decline in new business from abroad was only fractional but was the third fall in the past six months.

Meanwhile, price pressures eased in January, with the rate of input price inflation softening to a 22-month low. The increase in cost burdens was also slower than the series trend but solid overall. Panellists stated that higher input prices were linked to greater raw material and wage costs. However, others noted that lower fuel prices had led to reduced cost pressures.

Firms were able to pass on higher input costs to clients through greater output charges in January. The rate of charge inflation picked up from December's 12-month low, albeit remaining well below last year's peaks. Alongside reports of the need to pass on higher costs, a number of panellists suggested they were able to increase their operating margins.

January data signalled a renewed accumulation in backlogs of work at service providers. That said, a softer expansion in new work resulted in a weaker rate of job creation. Employment growth was the second-slowest since June 2017 (behind November 2018).

Business activity expectations picked up in January, with the degree of optimism rising since December. Panellists noted that positive sentiment stemmed from hopes of more favourable demand conditions, however, the level of confidence was still historically subdued.

IHS MARKIT US COMPOSITE PMI™

Solid output expansion at U.S. private sector firms in January

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 posted 54.4 in January, matching that seen in December. The solid expansion was nonetheless one of the weakest seen in the last year and below the average seen in 2018.

Conversely, new business across the private sector increased at a faster pace. The upturn accelerated following a quicker rise in new orders across the manufacturing sector. A softer rise in new export orders among manufacturers and a contraction in new business from abroad in the service sector, led to the the slowest overall increase in new export business since last October.

Price pressures continued to soften across the private sector, with the rate of input price inflation easing in both the manufacturing and services sector. Strong client demand, however, allowed firms to increase their output charges at a faster pace in January.

Meanwhile, employment growth also eased, taking the rate of private sector job creation to the slowest since June 2017. Weaker service sector hiring offset an upturn in manufacturing employment growth.

Finally, survey respondents expressed a stronger degree of confidence towards the outlook for output over the coming 12 months, though the overall level of optimism remained below the average seen last year.

COMMENT

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

"The robust economic growth signalled by the US PMI surveys at the start of the year sits in stark contrast to the near-stalling of growth seen in Europe, China and Japan. At current levels, the surveys are consistent with annualised GDP growth of around 2.5% at the start of the year.

"Jobs growth remained buoyant as business optimism perked up to its highest since October. Backlogs of work are meanwhile building up, in part because firms struggled to meet demand, which has in turn allowed sellers to continue to push prices higher.

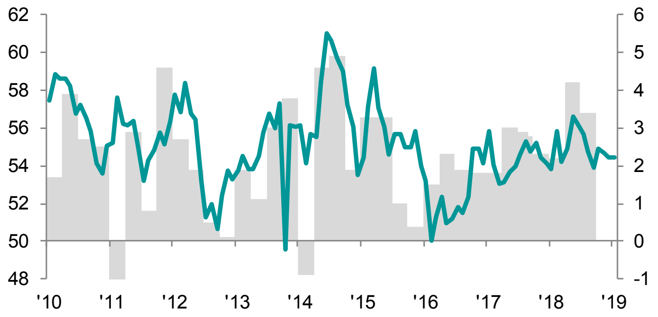
"However, although still robust, the rates of economic growth, job creation and inflation signalled by the PMI surveys have cooled since peaks seen last year. This possibly reflects some impact from the government shutdown, though scant evidence of such was seen in the anecdotal evidence from the surveys, but also reflects an easing of demand growth, notably from abroad. Foreign sales of goods and services barely rose in January, contrasting with signs of faster growth of domestic orders."

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.

January 2019 data were collected 11-28 January 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.