

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

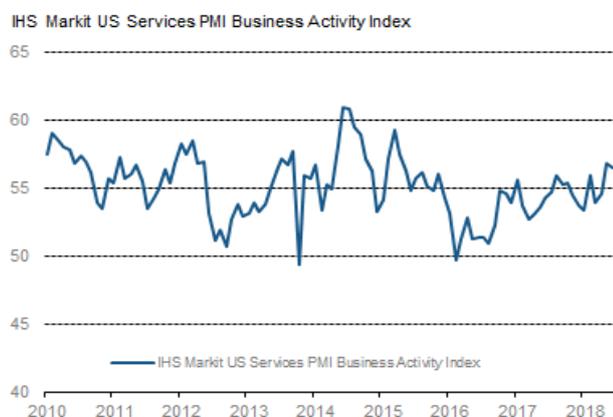
Business activity growth remains sharp in June

Key findings:

- Output expansion the second-strongest since April 2015
- Steep, but slower upturn in new orders
- Rate of input price inflation joint-quickest since September 2013

Data collected June 12-26

Service sector business activity (seasonally adjusted)



Source: IHS Markit.

Robust June survey data indicated that the U.S. service sector enjoyed its strongest quarter for three years. The latest rise in output was the second-fastest since April 2015, behind May's recent high. The rate of new order growth remained sufficiently strong to encourage the second-highest degree of job creation since September 2015. The rate of input price inflation meanwhile matched that seen in May and was the joint-fastest since September 2013. Output charges also increased strongly in response to robust demand.

The seasonally adjusted final **IHS Markit U.S.**

Services Business Activity Index registered 56.5 in June. Although down slightly from 56.8 in May, the rise in output was the second-fastest since April 2015. Panellists linked the upturn to greater client demand and the acquisition of new customers. At 56.0, the average index reading in the second quarter marked the strongest quarterly expansion in three years.

New business received also increased sharply, despite the rate of increase softening to a three-month low. The pace of the latest upturn was above the series trend and widely attributed to increased referrals from current clients and favourable market conditions.

Average cost burdens faced by service providers rose sharply in June. The rate of input price inflation matched that seen in May and was consequently the joint-fastest since September 2013. Anecdotal evidence largely indicated that higher costs were associated with supplier shortages and recently introduced tariffs, accompanied by widespread reports of higher fuel prices.

Reflecting improved pricing power amid strong demand conditions, average charges rose further in June. The rate of inflation was one of the fastest in the current 28-month sequence of increase. A number of panel members noted that higher input costs were partly passed on to clients.

As the upturn in new business continued to outpace that of output, backlogs of work increased solidly. Although the rate of accumulation eased slightly from May's recent peak, it was the second-strongest in over three years.

Meanwhile, greater business requirements drove the latest rise in employment. The rate of job

creation was the second-fastest since September 2015, with some firms also noting that the launch of new products supported hiring.

Despite easing to a three-month low, business confidence regarding the year ahead remained elevated in June, driven by robust client demand and the widespread anticipation of further order book growth.

IHS Markit Final U.S. Composite PMI™

At 56.2 in June, the final seasonally adjusted **IHS Markit U.S. Composite PMI™ Output Index** fell slightly from 56.6 in May. Although slightly weaker than the previous month, the overall private sector expansion was the second-fastest since April 2015 and signalled a strong end to the second quarter.

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:

“Another month of solid business activity growth means the second quarter saw the strongest performance from the service sector for three years. Coming on the heels of a robust manufacturing expansion in the second quarter, the survey data add to indications that the economy has picked up considerable growth momentum since the first quarter.

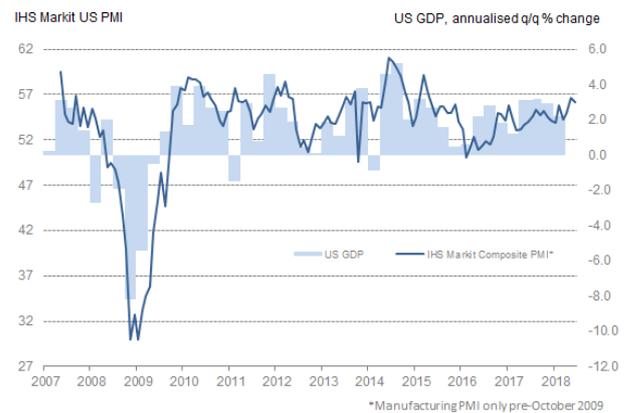
“June also saw further impressive job gains, with the manufacturing and services surveys indicating that the last two months have seen business hiring increase at the steepest rate for just over three years. At this level, the survey’s employment indices are historically consistent with a non-farm payroll rise in the order of 230k.

“On the downside, price pressures remained elevated, and are likely to feed through to higher consumer price inflation in coming months. There are also signs that growth could weaken in the third

quarter: business expectations about future growth have pulled back from recent highs, and new order flows have slowed for two successive months. However, all indicators remain at sufficiently high levels to suggest that any slowdown may only be modest.”

-Ends-

IHS Markit Composite PMI and U.S. GDP



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

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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.

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