

United States

Flash PMI surveys signal robust post-election economy in November

- Flash PMI surveys show sustained solid economic growth and hiring in November
- PMIs signal GDP growth of 2.5% in Q4
- More hawkish Fed rate hike trajectory

November's flash PMI surveys provide the first snapshot of US business conditions in the wake of the surprise election result, and show a reassuring picture of sustained solid economic expansion and hiring. As such, the surveys give a clear green light for the Fed to hike interest rates again in December.

Further robust growth

At 54.9, the flash Composite PMI showed business activity across manufacturing and services growing at a rate unchanged on October, which had in turn been the fastest for almost a year. The surveys indicate that the economy is expanding at a respectable annualised rate of 2.5% in the fourth quarter.

An acceleration in growth in [manufacturing](#), fuelled mainly by rising domestic demand and an easing in the recent inventory-adjustment drag, offset a slight cooling in service sector growth, although even the latter notched up a robust expansion overall.

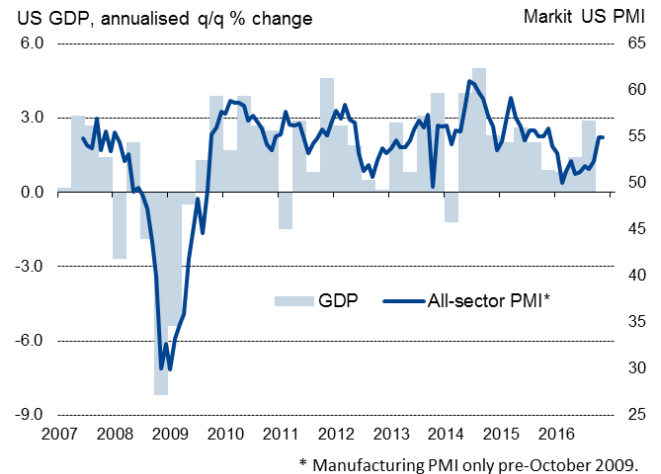
Steady hiring

Hiring also continued at a solid pace, with the survey's employment indicators consistent with non-farm payrolls rising by 135,000 in November. Employment continued to be driven by the service sector, although factory jobs rose at an increased rate in November.

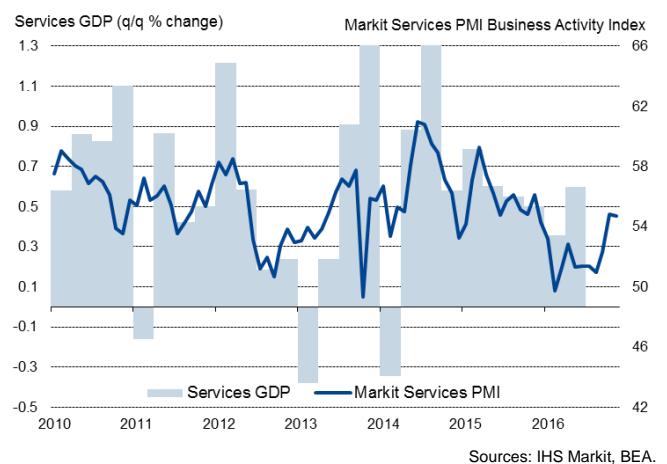
Brighter outlook

The surveys therefore add to indications that the US economy has pulled out of a slow growth phase which had in turn been in part linked to uncertainty in the lead up to the presidential election. Indeed, companies reported in November that customer enquiries were either already increasing or expected to start rising again after an election-related lull. Business confidence in the service sector dipped compared to October's 14-month high, but was still the second-highest since January.

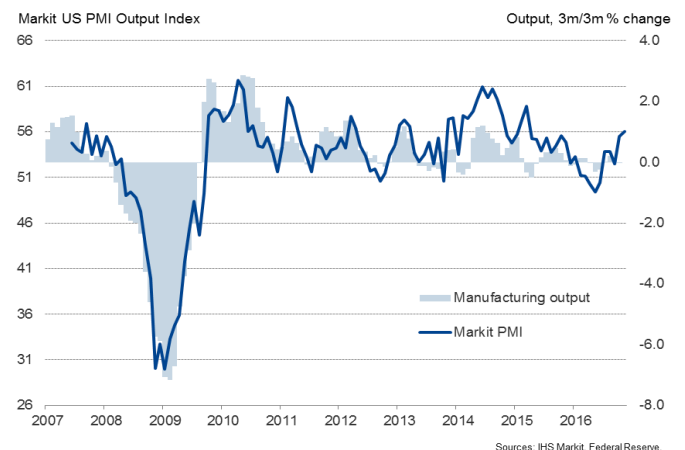
Markit PMI v US GDP



Services activity



Manufacturing output



(Continued...)

Rate hikes

The sustained robust growth rate signalled by the PMI surveys in November, alongside persistent steady hiring by employers, adds further to the already near-certainty of the FOMC voting to hike interest rates at its December 13-14th meeting.

With the prospect of fiscal stimulus under the new administration likely to lead to stronger economic growth than previously forecast in 2017, the Fed's rate hike trajectory looks slightly steeper. IHS Markit is now forecasting three rather than two quarter-point hikes in 2017.

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