

# United States

Price pressures wane despite solid economic growth and strong job creation

- **PMI data suggest US economy set to grow at 2.5% annualised rate in Q3**
- **Employment index points to 200k+ non-farm payroll gain in August**
- **Output prices fall for first time since 2010**

As US policymakers mull over the possibility of a September rate hike, Markit's PMI survey data indicate that the US economy is enjoying ongoing robust growth, and employment continues to rise at an impressive rate – both factors that will add to the argument for policy to be tightened. However, inflationary pressures have cooled, alongside a deteriorating international environment, which augurs for policymakers to not rush into hiking interest rates until the global economic picture becomes clearer.

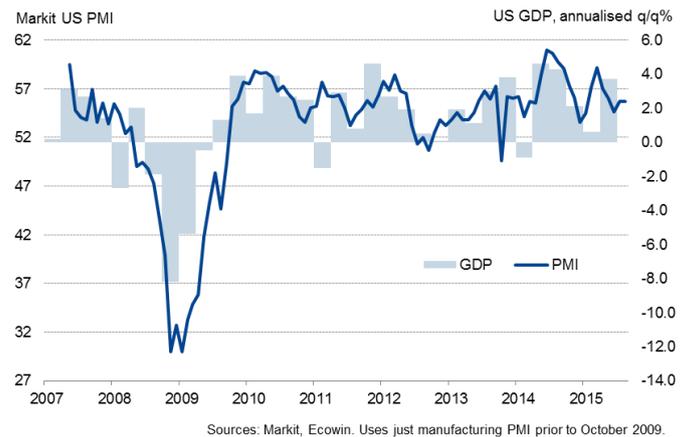
The seasonally adjusted Markit Composite PMI™ registered 55.7 in August, above the earlier 'flash' reading of 55.0 and unchanged on July's reading. The robust survey readings so far point to annualised GDP growth approaching 2.5% in the third quarter. While down on the 3.7% rate seen in the second quarter, 2.5% represents a solid long-term sustainable rate of expansion.

The employment sub-index likewise held steady, unchanged at 54.6, which indicates that job creation is also holding up well. The PMI surveys are signalling another month of non-farm payroll growth in excess of 200,000 in August (more accurately 225,000).

## Services-led growth

Although the manufacturing sector has been struggling in the face of weak overseas demand and the stronger dollar, the more domestically-focused service sector clearly continues to fare well amid these headwinds and, due to its size, is keeping the economy ticking along at this reasonable, albeit unspectacular, rate. The manufacturing survey's output index fell to a 19-month low of 53.8 in August, while the equivalent services business activity index rose to a three-month high of 56.1.

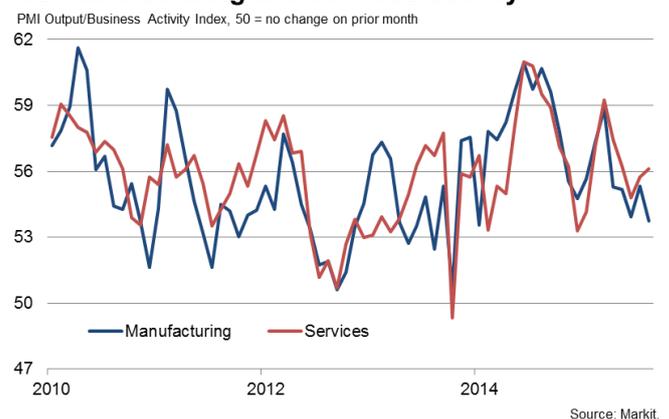
### US economic growth and the PMI



### Employment



### US manufacturing and services activity



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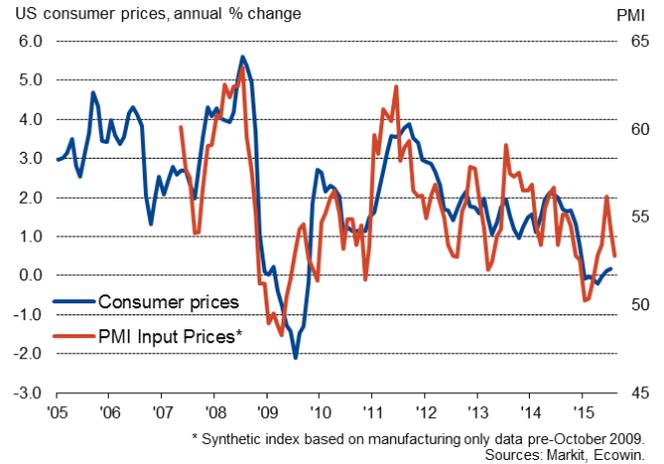
It should also be noted that business expectations about the year ahead rebounded from the brief lull seen in July, suggesting that recent financial market volatility and worries about emerging markets have as yet failed to significantly dent business optimism, in the service sector at least.

**Output prices fall for first time since 2010**

However, although the economy has maintained robust growth momentum, inflationary pressures have abated, which will help the argument that interest rate hikes can be delayed.

With the survey data showing average selling prices for goods and services to have fallen in August for the first time since November 2010 (albeit only marginally) and global economic concerns intensifying, the balance could easily tip towards the need for more stimulus.

**Inflation**



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