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**PMI commentary**
22/09/2017

# United States

## Resilient flash PMI rounds off best quarter since 2015

- **Flash PMI dips to 54.6 in September but signals solid GDP growth**
- **Growth driven by service sector as manufacturing struggles**
- **Mixed outlook as future expectations wane**

The latest PMI survey data indicate that the US economy showed encouraging resilience in a month of hurricane disruption.

At 54.6 in September, the seasonally adjusted IHS Markit Flash U.S. Composite PMI was down slightly from 55.3 in August but still comfortably above the 50.0 no-change threshold.

Although the dip in the September PMI compared to August indicated a slight moderation in growth of business activity, the overall rate of expansion remained robust. The third quarter average was in fact the highest since the closing quarter of 2015. Historical comparisons of the PMI with GDP indicate that the surveys point to the economy growing at an annualised rate of just over 2% in the third quarter.

Similarly, the overall rate of job creation remained solid, with the survey's index running at a level historically consistent with non-farm payrolls rising by 180,000 in September, according to a simple regression analysis.

Any impact of Hurricane Harvey was most evident in manufacturing supply chains, where resultant supply shortages were a key driver of higher prices. Supply delays were the most widespread in two and a half years, while input price inflation rose to the highest since 2012.

The manufacturing sector, which was already struggling in August, consequently acted as an increasing drag on the economy, leaving services as the main growth driver.

A 55.1, the flash Services PMI™ was down only slightly from August's 21-month peak. The average reading for the third quarter as a whole (55.2) was the highest since the third quarter of 2015.

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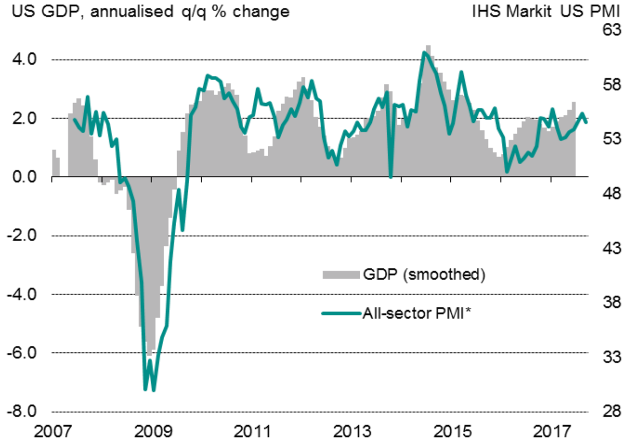
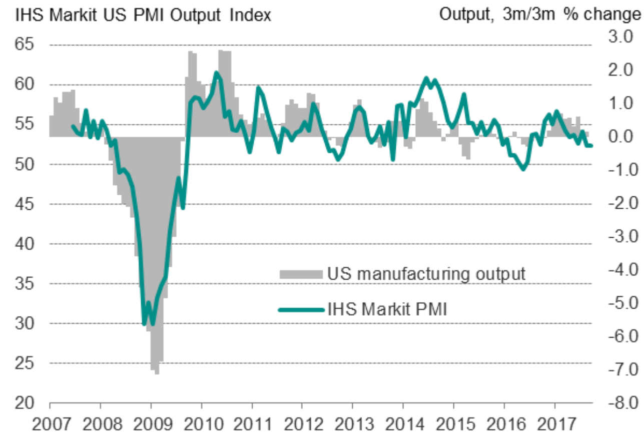
**IHS Markit US PMI v GDP trend**

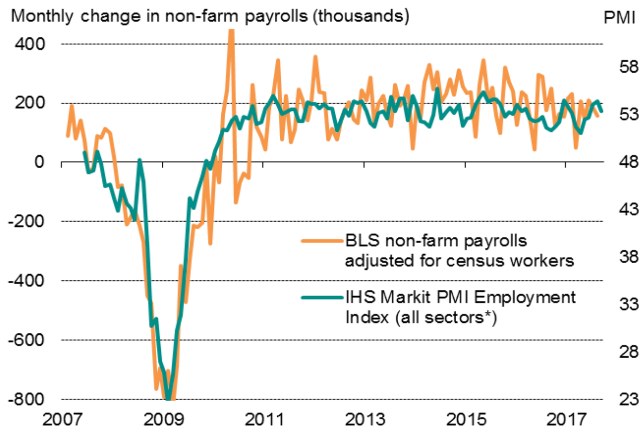



**US manufacturing output**




Sources: IHS Markit, Federal Reserve.

**US employment**



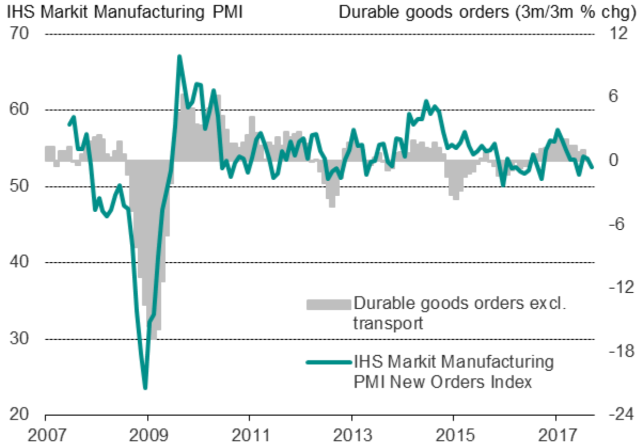

Sources: IHS Markit, BLS.

By comparison, the flash manufacturing output index was unchanged at 52.4, rounding off the worst quarter since the second quarter of 2016.

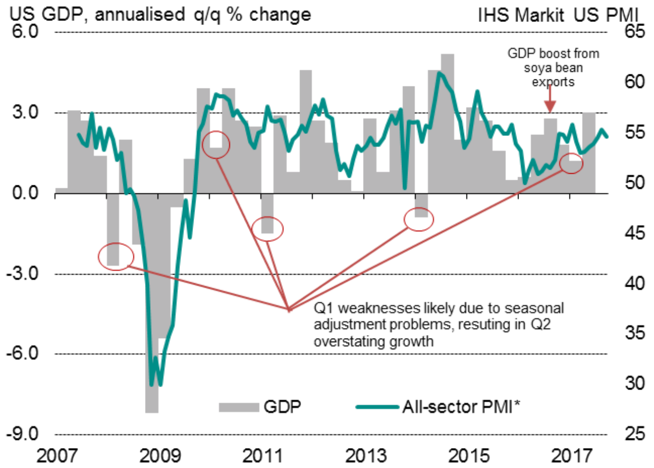
The latest survey is in fact consistent with a slight deterioration in comparable official manufacturing output and good orders data (see charts). Official data had already signalled a decline in production in August, and a further weak reading in September poses downside risks to economic growth in the fall.

The outlook is somewhat mixed. While repair work and a return to business-as-usual in the aftermath of Hurricane Harvey may boost short-term business activity in coming months, a drop in business optimism about the year ahead suggests that companies have become less confident in the longer-term outlook. The flash PMI index of future expectations fell in September to its lowest since February, driven by service sector optimism slumping to a one-year low.

**Goods orders**




**IHS Markit US PMI v GDP**




Sources: IHS Markit, ECB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