

United States

Flash PMI signals fastest expansion for six months in July

- Flash PMI at six-month high of 54.2 in July
- Rise in new orders and improved hiring point to expansion gaining pace in coming months
- Exports drag on manufacturing growth

The July flash US PMI surveys show an economy gaining growth momentum at the start of the third quarter, enjoying the strongest monthly improvement in business activity since January.

At 54.2, up from 53.9 in June, the seasonally adjusted IHS Markit Flash Composite PMI signalled the strongest rate of growth in six months.

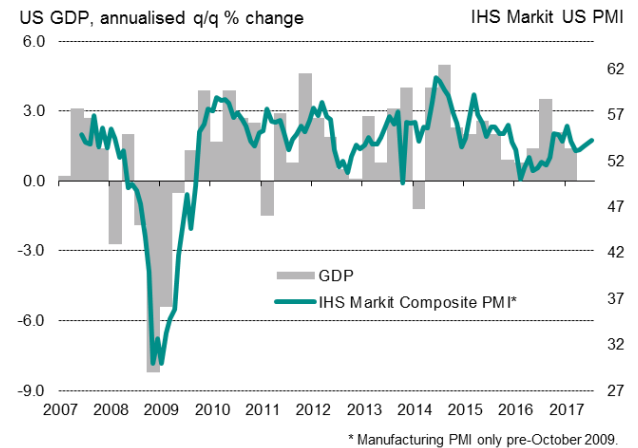
The pick-up in business activity growth was driven by a steeper increase in manufacturing production in July ('flash' output index at 54.3, up from 52.6 in June). Meanwhile, service providers indicated that activity growth was unchanged from June's five-month peak ('flash' business activity index at 54.2 in July).

The overall rate of expansion remains modest rather than impressive, however, with the July surveys historically consistent with annualised GDP growth of approximately 2%.

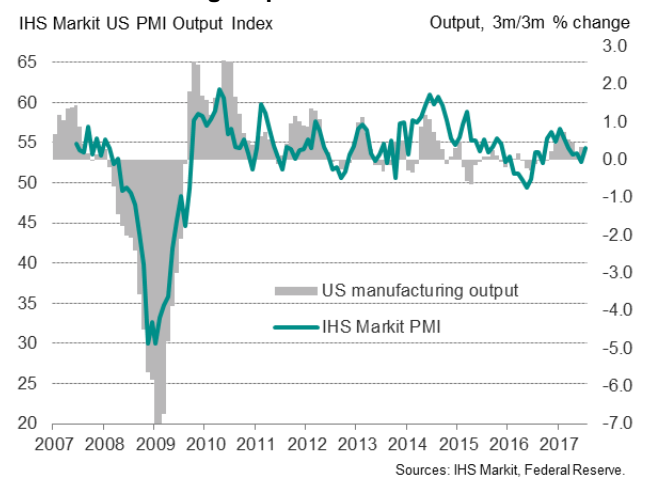
Encouragingly, the signs are that growth could accelerate further in coming months: an upturn in new order inflows to the second-highest seen over the past two years helped push the rate of job creation to the highest so far this year. The latest PMI Employment Index was indicative of non-farm payrolls growing at a rate of around 200,000.

The principal weak spot in the economy remained exports, with foreign goods orders dropping – albeit only marginally – for the first time since last September, often blamed on the strength of the dollar. Domestic demand therefore remained the main driver of the economy, but the weakness of exports meant manufacturing output growth remains only modest. The survey's output index has a correlation of 89% with official manufacturing output data (rising to 91% if autos are excluded), and suggests factory production growth is currently near-stagnant.

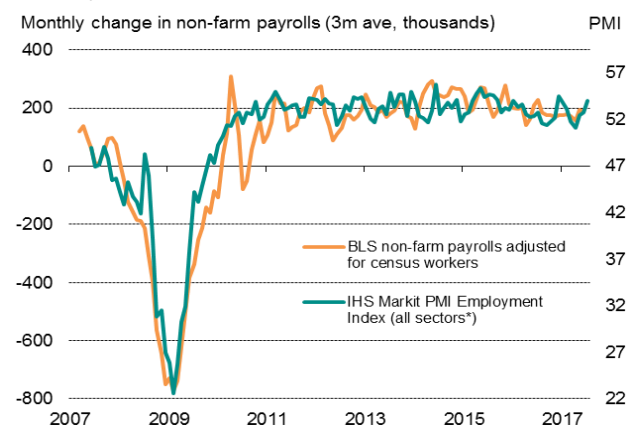
IHS Markit US PMI v GDP



US manufacturing output



Employment



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Goods orders

