

United States

Flash services PMI raises hopes of faster second quarter GDP growth

- **Faster services growth offsets manufacturing slowdown to point to stronger economic expansion at start of second quarter**
- **But PMIs consistent with only 0.8% annualised GDP growth**
- **Employment rise of 150k signalled for April**

Flash PMI survey data from Markit suggest the US economy could see GDP rise at an increased rate in the second quarter, but growth is clearly far more fragile than this time last year.

The seasonally adjusted Markit Flash US Composite PMI Output Index registered 51.7 in April, up from 51.3 in March to signal the fastest growth since January. A faster upturn in service sector activity ('flash' index at 52.1 in April) more than offset a near-stalling of manufacturing production growth ('flash' output index at 50.3).

The survey data suggest the economy grew at an annualised rate of just 0.8% at the start of the second quarter, only marginally above the pace signalled for the first quarter.

Survey responses indicate that persistent weak demand from domestic and overseas customers, the struggling energy sector, the strong dollar and election worries are all eating into business optimism.

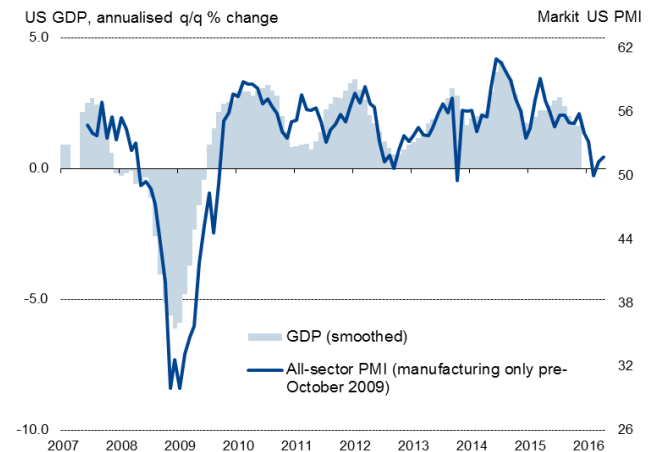
The current pace of growth is also only being supported by price reductions, as increasing number of firms offer discounts to win sales.

Job creation has meanwhile slowed as a result of cost-cutting pressures and uncertainty over the outlook, yet remains solid. The surveys point to another 150,000 non-farm payroll increase in April; a strong enough pace to help bring unemployment down. Robust, though slowing, service sector hiring continues to offset factory job losses.

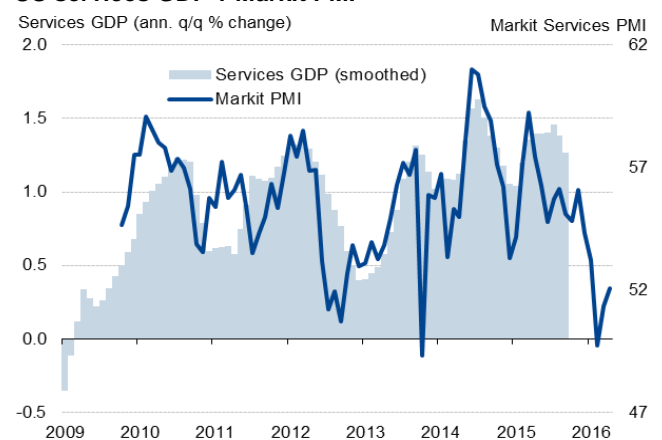
Service sector firms' expectations for business activity growth during the next 12 months meanwhile picked up fractionally from March's post-crisis low, remaining much weaker than the average since the survey began in late-2009 but at least moving in the right direction.

To find out more contact economics@markit.com.

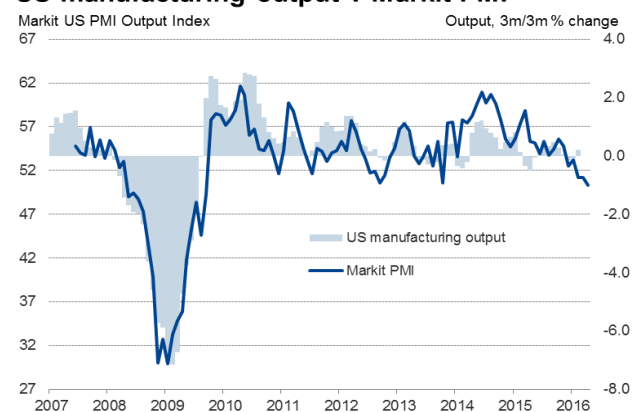
US 'economic growth' v Markit PMI



US services GDP v Markit PMI



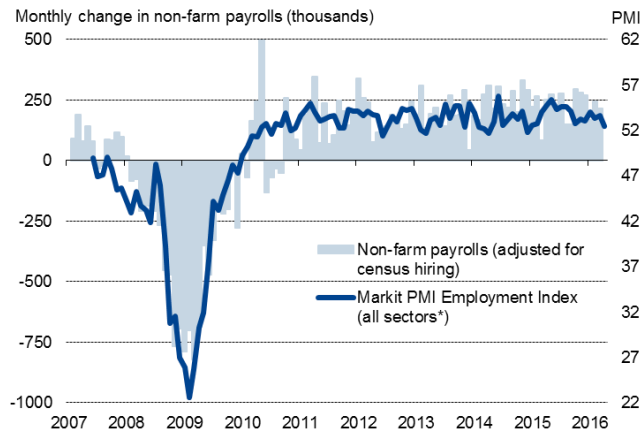
US manufacturing output v Markit PMI



Sources: Markit, Federal Reserve.

* GDP in the top two charts above is smoothed and converted into a monthly series by taking the mean of the current month and the preceding and following three month values.

US non-farm payrolls



Sources for charts: Markit, Datastream.

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