Markit Flash U.S. Services PMI™

Services output growth accelerates to 26-month high in May

Key points:

- Strong rebound in service sector output and new business growth
- Services job creation hits four-month high
- Cost inflation accelerates in May

Data collected 12 – 23 May.

Adjusted for seasonal influences, the Markit Flash U.S. Services PMI™ Business Activity Index¹ picked up to 58.4 in May, from 55.0 in April.

The headline ‘flash’ PMI figure, which is based on approximately 85% of usual monthly replies, was well above the neutral 50.0 value, thereby indicating a robust expansion of service sector business activity. Moreover, the rate of growth was the fastest since March 2012.

Higher levels of business activity were supported by the fastest rise in new work for over three years. This in turn contributed to a renewed accumulation of outstanding business, as well as higher employment numbers across the service sector in May.

Flash U.S. Services PMI™ Summary

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<td>Business Activity</td>
<td>58.4</td>
<td>55.0</td>
<td>Expansion, faster rate</td>
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<td>New Business</td>
<td>58.7</td>
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<td>Outstanding Business</td>
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<td>Employment</td>
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<td>Prices Charged</td>
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<tr>
<td>Input Prices</td>
<td>56.4</td>
<td>55.9</td>
<td>Rise, faster rate</td>
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<td>Business Expectations*</td>
<td>79.2</td>
<td>76.4</td>
<td>Optimism, stronger level</td>
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¹ Please note that Markit’s PMI data, flash and final, are derived from information collected by Markit from a different panel of companies to those that participate in the ISM Non-Manufacturing Report on Business. No information from the ISM survey is used in the production of Markit’s PMI.

Service sector business activity has now increased in each of the past seven months. Reports from survey respondents cited improving underlying business conditions and stronger client demand in May. Volumes of new work rose at the steepest pace since February 2011, signalling a marked rebound in new business momentum from the 18-month low registered in March.

May data suggested that the sharp acceleration in new business growth placed some pressures on operating capacity at service providers, as highlighted by outstanding business rising at the most marked pace since last November.

Greater workloads contributed to an acceleration in the rate of service sector job hiring from the 13-month low recorded in April. The latest expansion of payroll numbers was the fastest since January. Some companies also attributed employment growth to an improvement in the business outlook at their units.

May’s survey pointed to the strongest outlook for US service sector business activity since January. Almost two-thirds (63%) of the survey panel anticipate an increased in business activity over the next 12 months.
Meanwhile, input price inflation picked up for the second month running and was the fastest since January. Higher cost burdens in turn led to another robust increase in prices charged by service providers during May. That said, the rate of output charge inflation eased since April.

Comment:

Commenting on the flash PMI data, Tim Moore, senior economist at Markit said:

“May’s flash services PMI survey is a further signal that the US economy has regained momentum through the second quarter of the year. New business growth within the service sector reached its fastest for over three years amid the greatest month-on-month acceleration since the index began in late 2009.

“An improving service sector picture reinforces the upbeat message from the equivalent US manufacturing survey in May. As a result, the pendulum appears to be swinging towards firmer economic growth into the summer months.

“With decisive shifts in output and new business indicated during May, the survey should help alleviate concerns that the first quarter slowdown reflected underlying sluggishness in the US economy.”

-Ends-

Markit Flash U.S. Composite PMI™

At 58.6 in May, up from 55.6 in the previous month, the seasonally adjusted Markit Flash U.S. Composite PMI Output Index signalled the fastest rate of private sector output growth since April 2010. The index is based on original survey data from the Markit U.S. Services PMI and the Markit U.S. Manufacturing PMI.
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Note to Editors:
Final May data are published on 4 June 2014.

The U.S. Services PMI™ (Purchasing Managers’ Index™) is produced by Markit and is based on original survey data collected from a representative panel of over 400 companies based in the U.S. service sector. Markit originally began collecting monthly PMI data in the U.S. service sector in October 2009.

The flash estimate is typically based on approximately 85%–90% of total PMI survey responses each month and is designed to provide an accurate advance indication of the final PMI data.

The Markit U.S. Services PMI complements the Markit U.S. Manufacturing PMI and enables the production of the Markit U.S. Composite PMI which tracks business trends across both the manufacturing and service sectors, based on original survey data collected from a representative panel of over 1,000 companies.

The panel is stratified by North American Industrial Classification System (NAICS) group and company size, based on industry contribution to U.S. GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the ‘Report’ shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the ‘diffusion’ index. This index is the sum of the positive responses plus a half of those responding ‘the same’.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@markit.com.

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About PMI
Purchasing Managers’ Index™ (PMI™) surveys are now available for 32 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/economics.

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