News Release

Markit Flash U.S. Services PMI™
Weakest rise in service sector business activity since April

Key points:
- Service sector growth slows for the fifth month running…
- …reflecting slower upturn in new business
- Solid pace of job creation continues in November

Data collected 12 – 21 November.

The seasonally adjusted Markit Flash U.S. Services PMI™ Business Activity Index1 – which is based on approximately 85% of usual monthly replies – registered 56.3 in November, down from 57.1 in the previous month and the lowest reading since April. Moreover, the index has now pointed to softer growth of business activity in each of the past five months, to signal a sustained loss of momentum since the post-crisis peak seen in June.

Weaker service sector output growth largely reflected a moderation in new business gains during November. The latest rise in incoming new work was the slowest for seven months and slightly less marked than the average seen since the survey began in October 2009. Some survey respondents commented on weaker client confidence and associated delays to the launch of new projects.

Meanwhile, unfinished work increased across the service economy for the fourth month running in November. The current period of sustained backlog accumulation is the longest since 2012/13, suggesting continued pressure on operating capacity. This in turn supported employment growth during the latest survey period, with the pace of job creation accelerating to a five-month high in November.

Increased payroll numbers also reflected an upturn in confidence towards the business outlook. More than half of the survey panel anticipate a rise in business activity over the year ahead, and the overall degree of confidence picked up since October to its strongest for five months.

November data signalled that service sector input cost inflation moderated for the third month running and was below the survey average. Prices charged by service providers increased at a slower pace in November, with the rate of inflation easing to its lowest since July.

Markit Flash U.S. Composite PMI™

At 56.1 in November, down from 57.2 in October, the seasonally adjusted Markit Flash U.S. Composite PMI Output Index signalled a robust expansion of overall private sector activity. However, the latest reading signalled the slowest rise in overall output since April, reflecting weaker growth contributions from both the manufacturing and service sector in November.

The composite 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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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.
Commenting on the flash PMI data, Chris Williamson, chief economist at Markit said:

“A fifth-consecutive monthly slowing in growth in the service sector adds to signs that the economic upturn has lost considerable momentum, though it’s important to note that the pace of expansion remains robust by historical standards.

“After the manufacturing PMI showed factory output growth slowing in November to the lowest since January, the weaker pace of service sector expansion puts the economy on course to grow at a 2.5% annualised rate at best in the fourth quarter. With extreme weather hitting parts of the country, growth could slow even further.

“However, growth has merely eased from very strong rates earlier in the year. Importantly, even the slower rate of growth signalled by the PMI surveys remains sufficiently strong to generate robust numbers of new jobs. Firms took on staff at a rate consistent with another increase in payroll numbers of roughly 200,000 in November.

“The worry is that any hiring intentions could rapidly deteriorate if firms’ order book inflows fail to pick up again soon.”
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Note to Editors:

Final November data are published on 3 December 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.

About Markit

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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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