

United States

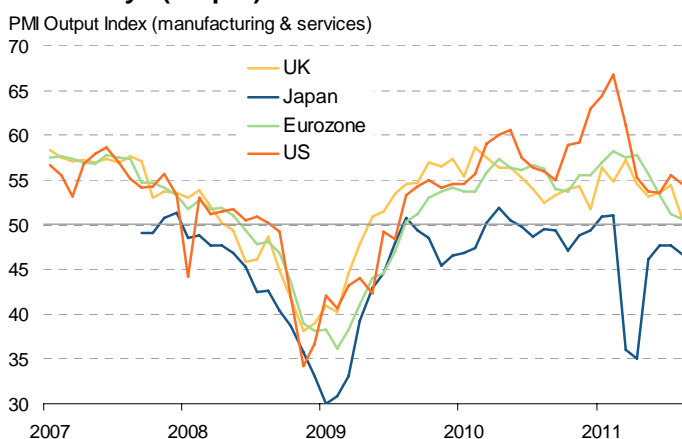
Non-manufacturing PMI surprises to the upside, but growth still set to ease

- **ISM PMI beats forecasts but weak new order growth bodes ill for activity levels**
- **Jobs growth eases to slowest since September 2010**

The ISM non-manufacturing PMI survey came in far stronger than expected in August, helping to dispel some of the recent gloom. The headline index rose from 52.7 to 53.3, defying expectations of a fall to 51.0. Growth of business activity slowed only slightly from July's four-month high, while new orders rose at an increased rate.

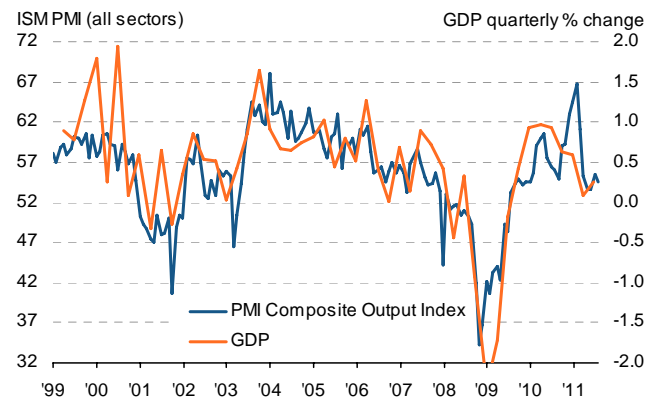
The consensus-beating reading leaves the US economy in better shape than other major developed economies. A weighted all-sector PMI reading (covering both manufacturing and non-manufacturing) of 54.5 in the US compares with equivalent readings of just 50.7 in both the Eurozone and UK and 46.7 in Japan.

PMI surveys (output)



The ISM surveys are consistent with a steady but unspectacular annualized pace of US economic growth of 1.0-1.5% for the third quarter so far, contrasting with a near stalling of growth in Europe and an increased rate of contraction in Japan.

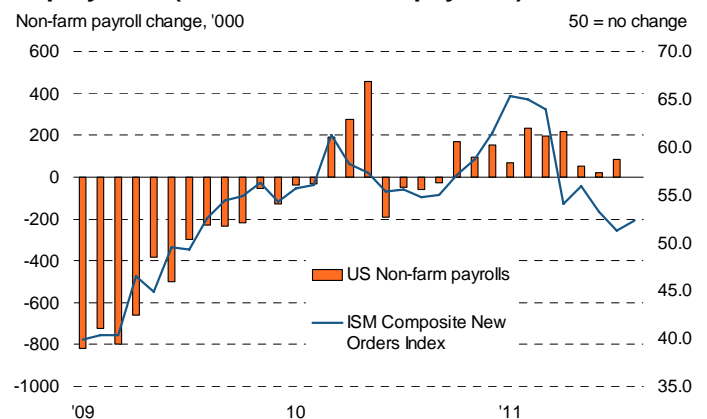
US economic growth (GDP and ISM)



However, the better than anticipated news on activity is tainted by growth of incoming new business remaining very subdued compared to earlier in the year, and well below the average seen throughout last year. As a result, it is highly likely that business activity growth will weaken in coming months.

Furthermore, this cooling of demand was also reflected in hiring, with employment growth easing to the weakest since September of last year. The survey data therefore suggest that non-farm payroll data will remain weak, showing only modest growth at best, in September.

Employment (ISM and non-farm payrolls)



All sources: Markit, ISM, HSBC, Ecwin.

To find out how to receive PMI data, please contact economics@markit.com.

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