News Release

MARKET SENSITIVE INFORMATION
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S&P Global Flash US Composite PMI™

US private sector gathers momentum amid softer contraction in demand

Key findings:

Flash US PMI Composite Output Index[1] at 50.2 (January: 46.8). 8-month high.

Flash US Services Business Activity Index[2] at 50.5 (January: 46.8). 8-month high.

Flash US Manufacturing Output Index[4] at 48.4 (January: 46.9). 4-month high.

Flash US Manufacturing PMI[3] at 47.8 (January: 46.9). 4-month high.

Data were collected 10-20 February

February data signalled a stabilisation in the US private sector economy, according to latest 'flash' PMI™ data from S&P Global. Business activity rose fractionally when compared with January. The upturn in the headline figure was driven by the services sector, as manufacturers continued to indicate a fall in production.

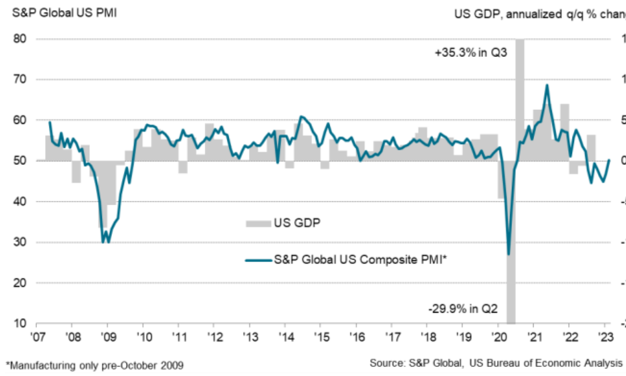
The headline **Flash US PMI Composite Output Index** registered 50.2 in February, up sharply from 46.8 in January. The latest reading was the highest for eight months and signalled broadly unchanged output on the month across the private sector. Service sector firms registered a fractional uptick in business activity while manufacturers reported a slower decrease in output.

Although **new orders** across the private sector continued to contract in February, the rate of decline eased to the slowest since last October as companies noted only a marginal fall in new business. The decrease in service sector customer demand was only slight, but goods producers recorded a further sharp downturn in client orders. Customer hesitancy, destocking and the impact of higher interest rates and inflation on spending were, again, noted by panellists as driving the fall.

New export orders also decreased further on the month, albeit at the joint-softest rate since May 2022. Weak global demand conditions were often cited as a key factor behind the downturn in foreign client demand.

Cost pressures softened in February, following an acceleration in January. The rate of **input price** inflation was the second-slowest since October 2020 as manufacturers and service providers both registered softer upticks in cost burdens. Despite reports of raw material and component price pressures easing, hikes in wages reportedly drove costs higher and kept inflation at an historically elevated rate.

S&P Global Flash US PMI Composite Output Index



*Manufacturing only pre-October 2009
Source: S&P Global, US Bureau of Economic Analysis

Although input costs rose at a softer pace, February data signalled a sharper rise in **output charges** across the private sector. The pace of increase in selling prices was the quickest since last October and steep overall. Firms reportedly passed through hikes in costs to their clients. A faster rise in output prices was seen at both manufacturing and service sector firms.

Employment remained buoyant midway through the first quarter, with the rate of job creation accelerating to the fastest since September 2022. Greater workforce numbers were linked to efforts to work through backlogs and anticipations of greater demand in the coming months. Jobs growth accelerated in both manufacturing and services.

The further contraction in new business meant output growth was only achieved via a further fall in **backlogs of work** in February, though the rate of decline moderated to the slowest in the past five months.

Private sector businesses were more confident in their outlook for output over the coming 12 months in February. The degree of **optimism** rose to the highest since last May. Positive sentiment was often attributed to new product development and successful marketing initiatives, which in turn are expected to boost new sales.

S&P Global Flash US Services PMI™

The **S&P Global Flash US Services Business Activity Index** posted 50.5 in February, up from 46.8 in January, and signalled the first expansion in service sector output since June 2022. The pace of growth was only marginal, however, as some firms continued to highlight customer hesitancy following hikes in interest rates and inflation.

As such, new business at service providers fell further midway through the first quarter. The pace of decline was, however, the slowest in the current five-month sequence of contraction and only slight overall. New export orders weighed on total new sales, as firms highlighted challenging demand conditions in key export markets.

The rate of service sector input cost inflation remained historically elevated in February, despite easing to the second-weakest since October 2020. Anecdotal evidence stated that wage pressures were the main driver behind higher cost burdens.

Firms continued to seek to pass on greater input costs to customers through hikes in output charges. The rise in selling prices was the quickest for four months and strong overall.

The level of outstanding business fell only fractionally in February, as firms noted some signs of improving demand. This, in part, supported a faster rise in employment. The rate of job creation was the steepest since September 2022, albeit only modest overall. Other contributing factors included anticipated rises in new business and ongoing efforts to fill open vacancies.

Service sector optimism regarding the year-ahead outlook for activity increased for the second month running. The level of positive sentiment was the strongest since May 2022, as firms hoped that new sales initiatives and new product offerings would spur demand.

S&P Global Flash US Manufacturing PMI™

The **S&P Global Flash US Manufacturing PMI** posted 47.8 in February, up from 46.9 at the start of the year. The latest index reading signalled a further deterioration in manufacturing performance, albeit one that was the softest in the current four-month sequence of decline. The downturn in the health of the goods-producing sector was modest overall.

Manufacturers registered a fourth successive monthly decline in production during February. That said, the pace of contraction was the slowest seen over this sequence. The marginal fall in output stemmed from weak client demand, as new orders decreased sharply. Some companies noted that sufficient stocks at customers and high inflation dampened demand conditions.

Alongside reports of subdued domestic demand, latest survey data showed new export orders continued to decrease on the month. The solid decline in foreign client demand was linked to inflationary pressures in key export markets.

Reports of less marked hikes in raw material costs led to a softer uptick in input prices during February. The rise in cost burdens was among the slowest in two-and-a-half years. Nonetheless, manufacturing firms recorded a steeper rise in selling prices. Although slower than those seen in 2022, the rate of charge inflation was the fastest for three months as firms sought to pass on higher costs to customers.

A combination of subdued demand conditions and prior stockpiling led to a further fall in input buying in February. The drop in purchasing activity was the slowest for five months, but still strong overall. Meanwhile, stocks of purchases and finished goods contracted again, albeit at slower rates.

Lower buying activity also contributed towards an improvement in vendor performance. Suppliers' delivery times were reduced to the greatest extent since May 2009 amid weak demand for inputs and fewer logistics issues.

At the same time, firms were able to increase their workforce numbers at a modest rate in February. Employment rose at the fastest pace since last September. Firms reduced their backlogs of work solidly, albeit at the slowest pace since October 2022.

Finally, the level of business confidence was broadly in line with that seen in January and robust overall. The degree of optimism in the year-ahead outlook for output was also similar to the long-run series average and linked to hopes of an uptick in client demand.

Commenting on the US flash PMI data, **Chris Williamson**, Chief Business Economist at S&P Global Market Intelligence said:

"February is seeing a welcome steadying of business activity after seven months of decline. Despite headwinds from higher interest rates and the cost of living squeeze, the business mood has brightened amid signs that inflation has peaked and recession risks have faded. At the same time, supply constraints have alleviated to the extent that delivery times for inputs into factories are improving at a rate not seen since 2009.

"However, there are some caveats to the good news. The upturn is being driven by the services sector, which in part reflects unseasonably warm weather, and although the manufacturing survey data are showing signs of improvement, the factory sector remains in contraction and focused on inventory reduction.

"Furthermore, the improved supply situation has taken price pressures out of manufacturing supply chains, but the survey data underscore how the upward driving force on inflation has now shifted to wages amid the tight labor market. By potentially stoking concerns over a wage-price spiral, accelerating service sector price growth will add to calls for higher interest rates, which could in turn subdue the nascent expansion."

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Note to Editors

Final February data are published on 1 March for manufacturing and 3 March for services and composite indicators.

The US PMI™ (Purchasing Managers' Index™) is produced by S&P Global and is based on original survey data collected from a representative panel of around 800 companies based in the US manufacturing and service sectors. The flash estimate is based on around 85% of total PMI survey responses each month and is designed to provide an accurate advance indication of the final PMI data.

The average differences between the flash and final *PMI* index values (final minus flash) since comparisons were first available in October 2009 are as follows (differences in absolute terms provide the better indication of true variation while average differences provide a better indication of any bias):

Index	Average difference	Average difference in absolute terms
Composite Output Index[1]	0.1	0.4
Manufacturing *PMI*[3]	0.0	0.3
Services Business Activity Index[2]	0.2	0.4

The *Purchasing Managers' Index*™ (*PMI*™) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. *PMI*™ surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

S&P Global 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 S&P Global. Please contact economics@ihsmarkit.com.

Notes

1. The Composite Output *PMI* is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.
2. The Services Business Activity Index is the direct equivalent of the Manufacturing Output Index, based on the survey question "Is the level of business activity at your company higher, the same or lower than one month ago?"
3. The Manufacturing *PMI* is a composite index based on a weighted combination of the following five survey variables (weights shown in brackets): new orders (0.3); output (0.25); employment (0.2); suppliers' delivery times (0.15); stocks of materials purchased (0.1). The delivery times index is inverted.
4. The Manufacturing Output Index is based on the survey question "Is the level of production/output at your company higher, the same or lower than one month ago?"

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

About PMI

Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 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 https://ihsmarkit.com/products/pmi.html .

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