

MARKET SENSITIVE INFORMATION

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S&P Global Flash US Composite PMI[®]

Output growth slows amid signs of demand weakness

Key findings:

Flash US PMI Composite Output Index⁽¹⁾ at 50.9 (March: 52.1). 4-month low.

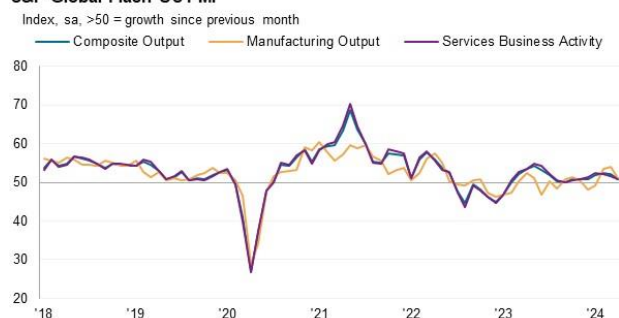
Flash US Services Business Activity Index⁽²⁾ at 50.9 (March: 51.7). 5-month low.

Flash US Manufacturing Output Index⁽⁴⁾ at 51.1 (March: 54.0). 3-month low.

Flash US Manufacturing PMI⁽³⁾ at 49.9 (March: 51.9). 4-month low.

Data were collected 11-22 April 2024.

S&P Global Flash US PMI



Source: S&P Global PMI.
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Overview

US business activity continued to increase in April, but the rate of expansion slowed amid signs of weaker demand. The latest rise in output was the smallest in the year-to-date reflecting reduced rates of growth and falling orders in both the manufacturing and services sectors.

April saw an overall reduction in new orders for the first time in six months. Companies responded by scaling back employment for the first time in almost four years, with business confidence also waning to the lowest since last November.

Rates of inflation generally eased at the start of the second quarter, with both input costs and output prices rising less quickly at the composite level. That said, manufacturing input cost inflation hit a one-year high.

Output and demand

The headline S&P Global Flash US PMI Composite Output Index dropped to 50.9 in April from 52.1 in March. Although continuing to signal an increase in business activity during the month, the latest data indicated only a slight expansion and one that was the softest since December. Nevertheless, output has now risen for 15 consecutive months.

Slower increases in activity were recorded across both the manufacturing and services sectors, with rates of growth easing to three- and five-month lows respectively.

Output growth cooled in line with demand weakness as new orders decreased for the first time in six months, albeit dropping only modestly. Falling new business was signalled among manufacturers and service providers alike.

Some service providers suggested that elevated interest rates and high prices had restricted demand during the month. Meanwhile, manufacturers often linked lower new orders to inflationary pressures, weak demand and sufficient stock holdings at customers.

International demand held up slightly better than domestic sales, with new export orders remaining unchanged for the second month running.

Concerns about their ability to secure new orders dampened firms' confidence in the year-ahead outlook for business activity in April. Business sentiment dipped to a five-month low, down in both manufacturing and services, but remained positive overall amid hopes that market conditions will pick up.

Employment

Signs of demand weakness impacted hiring plans at companies in the US at the start of the second quarter. A number of survey respondents indicated that they had held off on backfilling positions following the departure of staff. As a result, employment decreased for the first time since June 2020.

The overall reduction in workforce numbers was centered on services, where employment decreased solidly and to the largest extent since mid-2020. In fact, excluding the

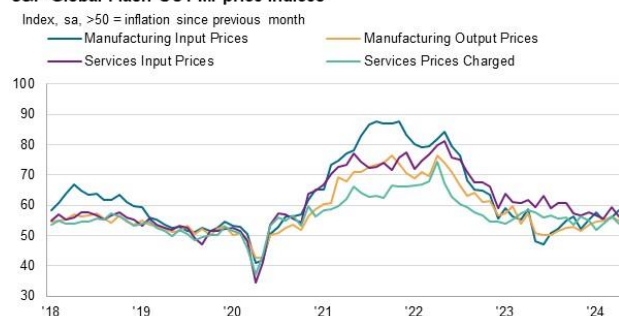
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opening wave of the COVID-19 pandemic, the decline in services staffing levels in April was the most pronounced since the end of 2009. In contrast, manufacturing employment continued to increase modestly.

The drop in staffing levels partly reflected signs that current capacity was sufficient to handle workloads, with backlogs of work decreasing for the third month running and to a larger degree than in March.

Prices

S&P Global Flash US PMI price indices



Source: S&P Global PMI.
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Input prices continued to rise sharply in April, although the pace of inflation eased from the six-month high seen in March. This was in spite of the fastest increase in manufacturing input costs for a year amid rising raw material prices. Service providers often noted higher staff and shipping costs, though reported the second-lowest overall cost increase for three-and-a-half years.

In line with the picture for input costs, output prices increased at a solid but slower rate during April, the pace of inflation cooling again having accelerated to a ten-month high in March. Prices charged inflation was in line with the series long-run average, though still elevated by pre-pandemic standards. Slower charge inflation was seen across both the manufacturing and services sectors.

Manufacturing PMI

The S&P Global Flash US Manufacturing PMI posted 49.9 in April to signal broadly unchanged business conditions over the course of the month. The index was down from 51.9 in March and ended a three-month sequence of improving operating conditions.

US manufacturers drew down their stocks of purchases for the second consecutive month in April, and to a solid degree that was the most marked since August last year. Firms made some efforts to limit the pace of depletion, however, raising their purchasing activity slightly following a fall in the previous survey period.

There remained signs of spare capacity in supply chains amid relatively muted demand for inputs. Suppliers' delivery times shortened for the third month running.

Although modest, the latest improvement in vendor performance was more pronounced than that seen in March.

Finally, stocks of finished goods ticked higher following a fall in the previous month. According to respondents, the slight rise in post-production inventories reflected a slowdown in demand which left firms holding unsold goods.

S&P Global Flash US Manufacturing PMI



Source: S&P Global PMI.
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Comment

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

“The US economic upturn lost momentum at the start of the second quarter, with the flash PMI survey respondents reporting below-trend business activity growth in April. Further pace may be lost in the coming months, as April saw inflows of new business fall for the first time in six months and firms’ future output expectations slipped to a five-month low amid heightened concern about the outlook.

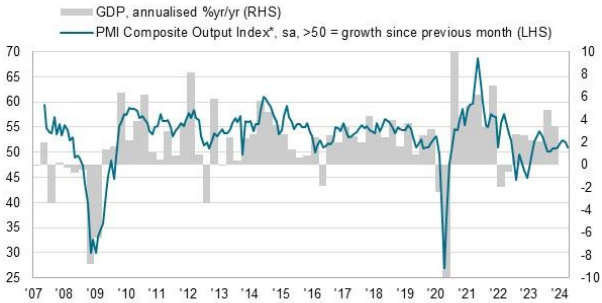
“The more challenging business environment prompted companies to cut payroll numbers at a rate not seen since the global financial crisis if the early pandemic lockdown months are excluded.

“The deterioration of demand and cooling of the labor market fed through to lower price pressures, as April saw a welcome easing in rates of increase for selling prices for both goods and services.

“Notably, the drivers of inflation have changed. Manufacturing has now registered the steeper rate of price increases in three of the past four months, with factory cost pressures intensifying in April amid higher raw material and fuel prices, contrasting with the wage-related services-led price pressures seen throughout much of 2023.”

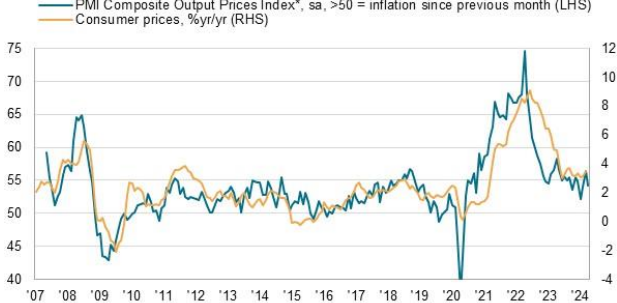
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S&P Global Flash US PMI vs gross domestic product (GDP)



Sources: S&P Global PMI, Bureau of Economic Analysis via S&P Global Market Intelligence.
© 2024 S&P Global. *PMI Manufacturing Output Index May '07-Sep '09.

S&P Global Flash US PMI vs inflation



Sources: S&P Global PMI, Bureau of Economic Analysis via S&P Global Market Intelligence.
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Notes to editors

Final April data are published on 1 May for manufacturing and 3 May 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 <i>PMI</i> ³	0.0	0.3
Services Business Activity Index ²	0.1	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@spglobal.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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