

MARKET SENSITIVE INFORMATION

Embargoed until 0945 EST (1445 UTC) 22 February 2024

S&P Global Flash US Composite PMI®

Cost pressures dissipate further in February, but growth momentum in service sector softens

Key findings:

Flash US PMI Composite Output Index⁽¹⁾ at 51.4 (January: 52.0). 2-month low.

Flash US Services Business Activity Index⁽²⁾ at 51.3 (January: 52.5). 3-month low.

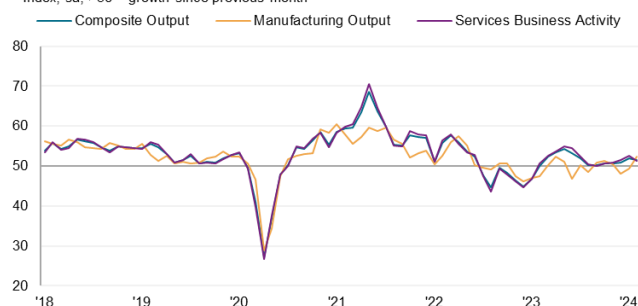
Flash US Manufacturing Output Index⁽⁴⁾ at 52.3 (January: 49.3). 10-month high.

Flash US Manufacturing PMI⁽³⁾ at 51.5 (January: 50.7). 17-month high.

Data were collected 12-21 February 2024.

S&P Global Flash US PMI

Index, sa, >50 = growth since previous month



Source: S&P Global PMI
© 2024 S&P Global

Overview

US companies continued to report an expansion in activity during February, albeit at a slower pace. Output rose marginally as a softer uptick in services business activity weighed on overall growth. Manufacturing, meanwhile, saw a renewed increase in production amid an improvement in supply chains after adverse weather in January.

Demand conditions improved further, but at a softer rate as a less marked increase in service sector new business offset an improvement in manufacturing. The slower rise in new sales led firms to recruit additional workers at a slightly reduced rate and also dampened confidence in the outlook for output over the next year.

On the price front, cost burdens rose at the slowest pace since October 2020. Although selling price inflation picked up slightly, the rate of increase was the second-lowest since mid-2020.

Output and demand

At 51.4, the headline S&P Global Flash US PMI Composite Output Index fell from 52.0 in January and signalled a marginal expansion in business activity midway through the first quarter of 2024. Nonetheless, the pace of expansion was the second-fastest since July 2023 as manufacturers and service providers recorded growth in output.

Although service sector output rose for a thirteenth straight month, the sector lost growth momentum. Manufacturing firms meanwhile registered a renewed rise in production. Factory output increased for the first time in three months, and at the fastest pace since April 2023. Goods producers often attributed the expansion to stronger client demand and a sharper uptick in new orders. Moreover, manufacturers noted that quicker delivery times enabled faster processing of orders.

Goods producers signalled the steepest rise in new orders since May 2022, as customer demand improved for a second month running. Some businesses attributed this to clients having worked through their excess inventories. Meanwhile, service providers continued to see an increase in new business, albeit the slowest in three months and only marginal overall.

At the same time, stronger demand conditions in manufacturing drove a return to growth in new export orders. The latest rise ended a two-month sequence of contraction. External demand was subdued at service sector firms, however.

Surveyed firms registered further optimism in the year-ahead outlook for activity in February, with the degree of confidence slipping from January's 20-month high but broadly in line with the series average. Successful advertising campaigns and boosts to new orders reportedly underpinned positive sentiment, as firms remained hopeful of further upticks in customer demand.

News Release

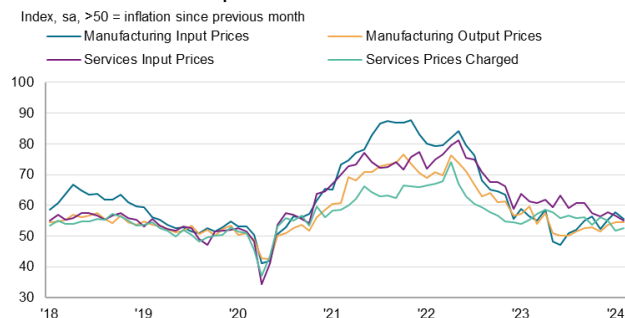
Employment

Job creation was broad based during February, as manufacturers and service providers alike reported a rise in workforce numbers. The overall pace of employment growth eased to the slowest in three months, however, amid a less marked rise in services staffing numbers. Buoyed by stronger demand conditions, goods producers recorded the fastest uptick in employment since September 2023. Services firms highlighted caution with regards to hiring due to cost concerns and softer new order growth.

Slower employment growth also reflected reduced pressure on capacity, as backlogs of work returned to contraction following a slight rise in January. The level of outstanding business has fallen in nine of the last ten months, with the latest drop solid overall.

Prices

S&P Global Flash US PMI price indices



Cost pressures eased again in February, as input prices rose at the weakest pace since October 2020. The rate of cost inflation slowed at both manufacturers and service providers, as firms noted lower raw material costs and competitive pricing at suppliers. The overall rate of increase in input prices was softer than the series average.

In contrast, the pace of charge inflation picked up midway through the first quarter. The rate of increase quickened from January due to a faster uptick in service sector selling prices. Manufacturers saw an unchanged pace of inflation from January's nine-month high. Nonetheless, the overall rise in output charges was historically muted, and the second-slowest since June 2020, as firms sought to drive new sales with concessions and discounts as requested by customers.

Manufacturing PMI

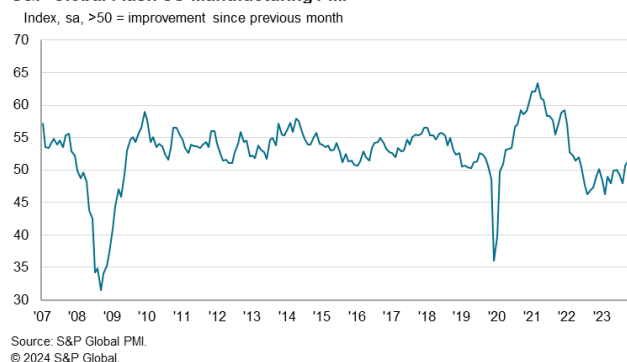
At 51.5, the S&P Global Flash US Manufacturing PMI was up from 50.7 in January and signalled the sharpest upturn in the health of the goods-producing sector since September 2022. Although only modest, the expansion was supported by a return to output growth and quicker

increases in new orders and employment.

Easing pressure on supply chains led to a renewed improvement in vendor performance during February, with shortened lead times for inputs enabling firms to process incoming new work in a more timely manner. Supplier performance improved to the greatest degree in seven months.

In line with stronger demand conditions, producers reduced their input buying only fractionally and at the slowest pace since November. Optimism in the outlook led firms to build stocks of purchases and finished goods, as both returned to growth in February, with firms indicating the first expansion in pre-production inventories since August 2022.

S&P Global Flash US Manufacturing PMI



Comment

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

"The early PMI data for February indicate that the US economy continued to expand midway through the first quarter, pointing to annualized GDP growth in the region of 2%. Although service sector growth cooled slightly, manufacturing staged a welcome return to growth, with factory output growing at the fastest rate for ten months."

"Better weather conditions compared to January trumped shipping concerns, helping drive an overall improvement in supplier delivery times, which in turn facilitated higher factory production. Signs of inventory reduction policies becoming less widespread also helped boost production and sustain high levels of business confidence in the outlook for the year ahead among manufacturers."

"Service sector growth has slipped slightly, however, as has confidence in the year-ahead outlook among service providers, in part reflecting some pull back in the extent to which interest rates are expected to fall in 2024. It is nevertheless welcome news that both manufacturing and services are expanding again for the first time in three months."

"The sustained expansion is being accompanied by subdued price pressures. Although up slightly in

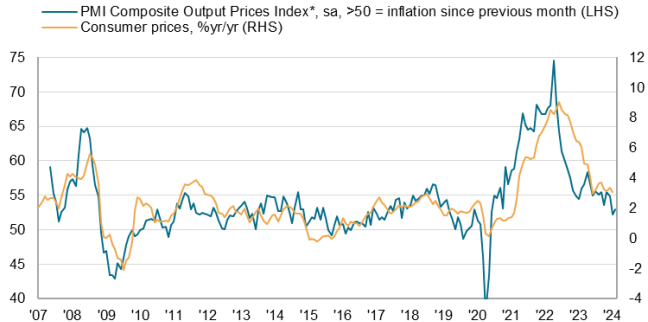
PMI™

by **S&P Global**

News Release

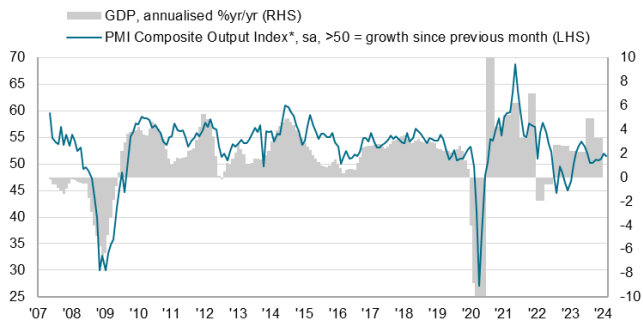
February, the survey's gauge of selling prices for goods and services continues to run at a level consistent with the Fed hitting its 2% inflation target, and a further fall in cost growth to the lowest since October 2020 hints at price pressures remaining subdued in the coming months."

S&P Global Flash US PMI vs inflation



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

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.

News Release

Contact

S&P Global Market Intelligence

Siân Jones
Principal Economist
S&P Global Market Intelligence
Telephone +44-1491-461-017
Email: sian.jones@spglobal.com

Katherine Smith
Corporate Communications
S&P Global Market Intelligence
Telephone +1 (781) 301-9311
Email katherine.smith@spglobal.com

Notes to editors

Final February data are published on 1 March for manufacturing and 5 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 <i>PMI</i> 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?"

S&P Global (NYSE: SPGI)

S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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.

S&P Global is a registered trademark of S&P Global Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2024 S&P Global Ltd. All rights reserved. www.spglobal.com

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.

www.spglobal.com/marketintelligence/en/mi/products/pmi.html

If you prefer not to receive news releases from S&P Global, please contact katherine.smith@spglobal.com. To read our privacy policy, [click here](#).

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("Data") contained herein, any errors, inaccuracies, omissions or delays in the Data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and *PMI*® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.