

MARKET SENSITIVE INFORMATION

Embargoed until 0945 EDT (1345 UTC) 23 August 2023

S&P Global Flash US Composite PMI™

US private sector at near-stagnation amid renewed fall in demand

Key findings:

Flash US PMI Composite Output Index⁽¹⁾ at 50.4 (July: 52.0). 6-month low.

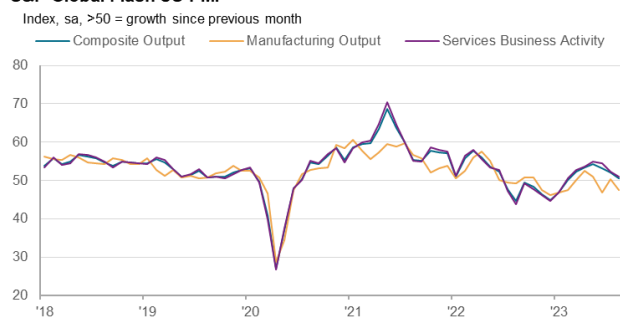
Flash US Services Business Activity Index⁽²⁾ at 51.0 (July: 52.3). 6-month low.

Flash US Manufacturing Output Index⁽⁴⁾ at 47.5 (July: 50.2). 2-month low.

Flash US Manufacturing PMI⁽³⁾ at 47.0 (July: 49.0). 2-month low.

Data were collected 10-22 August 2023.

S&P Global Flash US PMI



Source: S&P Global PMI.
© 2023 S&P Global.

Overview

US firms signalled a slower rise in output during August, as activity teetered near stagnation across the private sector. Manufacturers dipped back into contraction as production fell again, while service providers saw growth slow to the weakest since February.

Subdued client demand drove the slowdown across the economy, as total new orders declined for the first time in six months. Contractions in new orders were seen at manufacturers and service providers alike.

Meanwhile, cost pressures regained some momentum as the rate of input price inflation quickened on the back of greater fuel, wage and raw material costs. Efforts to remain competitive and drive sales stifled the pace of selling price inflation, however, which softened from that seen in July.

Output and demand

The headline S&P Global Flash US PMI Composite Output Index indicated only a fractional increase in output across the private sector midway through the third quarter. At 50.4 in August, down from 52.0 in July, the latest reading signalled the weakest upturn in activity since February. Persistent challenges stimulating demand in the manufacturing sector were accompanied by slower growth in service sector output.

Following broadly unchanged levels of production in July, goods producers returned to contraction territory in August. The latest drop in output was the second in the last three months albeit only modest. Although still registering an expansion, services firms meanwhile reported the slowest increase in activity for six months as high interest rates and inflationary pressures were seen to have weighed on customer spending.

Softer demand conditions were evidenced by the first decrease in new orders at US firms since February. Manufacturers faced greater challenges driving demand as new orders fell at a quicker pace, while service providers saw the fastest drop in new business since the start of the year. Sustained pressure from inflation and high interest rates were often linked to the decline, with some firms also highlighting a greater need to invest in advertising to stimulate new sales.

Muted demand from key export markets, especially Europe, led to a renewed decrease in new export orders in August. The fall in foreign client demand extends the trend of contraction seen since June 2022 which was only broken briefly by a marginal expansion in July. The export drop was primarily driven by manufacturers, as service providers registered a slower expansion.

US firms were more upbeat in their outlook for output over the coming year in August. Although weaker than the series average, the degree of confidence picked up from July, with optimism buoyed by hopes of stabilization in interest rates, greater client demand and a moderation in price pressures. Businesses also mentioned plans to invest in marketing initiatives.

News Release

Employment

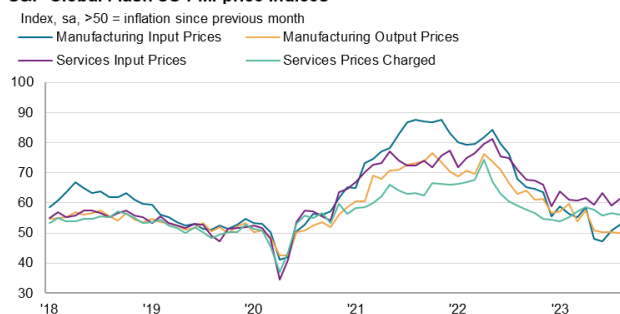
August data indicated only a fractional rise in employment. Although extending the current sequence of job creation that started just over three years ago, the pace of increase was the slowest over this period. Where growth in workforce numbers was noted, companies linked this to efforts to expand capacity. Nonetheless, weak demand and lower new orders resulted in job shedding at some firms, with mounting wage costs compounding decisions to cut staff.

Services providers reined in hiring activity as employment in the sector was broadly unchanged on the month. A lack of new business and some instances of difficulties retaining staff dragged on jobs growth. Meanwhile, manufacturers continued to see a rise in employment. The rate of job creation was the slowest since January, however, as voluntary leavers were often not replaced.

Strain on capacity dissipated further, as backlogs of work contracted at the sharpest rate since May 2020. Decreases in incomplete work at both manufacturers and service providers quickened from July.

Prices

S&P Global Flash US PMI price indices



Source: S&P Global PMI.
© 2023 S&P Global.

Upward pressure on operating expenses from greater wage bills, increased raw material prices and higher fuel costs led to a reacceleration in the pace of input price inflation in August. The rate of increase in costs was sharper than the long-run series average, as manufacturers and service providers recorded faster upticks. Although much slower than those seen through the last two years, the pace of increase in cost burdens at goods producers was the steepest since April.

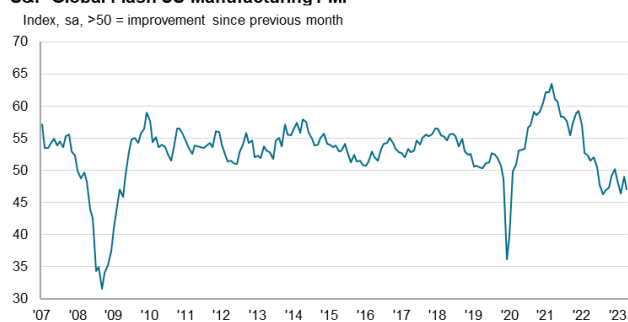
In contrast, the rate of output charge inflation slowed during August amid efforts to boost sales. The pace of increase was historically elevated as firms continued to pass through higher costs to clients, but reports of customer requests for discounts and competitive pricing stymied upticks in selling prices. The overall increase was led by service providers, however, as manufacturers left output charges unchanged from July.

Manufacturing PMI

At 47.0, down from 49.0 in July, the S&P Global Flash US Manufacturing PMI signalled a solid deterioration in operating conditions midway through the third quarter. The decline was the second-sharpest since January, as a renewed drop in output and steeper decrease in new orders weighed on the overall performance of the sector.

Lower new sales led to retrenchment among manufacturers as input buying fell at a quicker pace. The marked drop in purchasing activity reflected a reduced need to store materials and finished items. Subsequently, manufacturing inventories declined further. Despite lower demand, vendor performance improved to the smallest extent since February. Some companies stated that a shortage of drivers at suppliers frustrated efforts to reduce delivery times.

S&P Global Flash US Manufacturing PMI



Source: S&P Global PMI.
© 2023 S&P Global.

Comment

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

“A near-stalling of business activity in August raises doubts over the strength of US economic growth in the third quarter. The survey shows that the service sector-led acceleration of growth in the second quarter has faded, accompanied by a further fall in factory output.”

“Companies report that demand is looking increasingly lethargic in the face of high prices and rising interest rates. A resultant fall in new orders received by firms in August could tip output into contraction in September as firms adjust operating capacity in line with the deteriorating demand environment. Hiring could likewise soon turn into job shedding in the coming months after a near-stagnation of employment in August.”

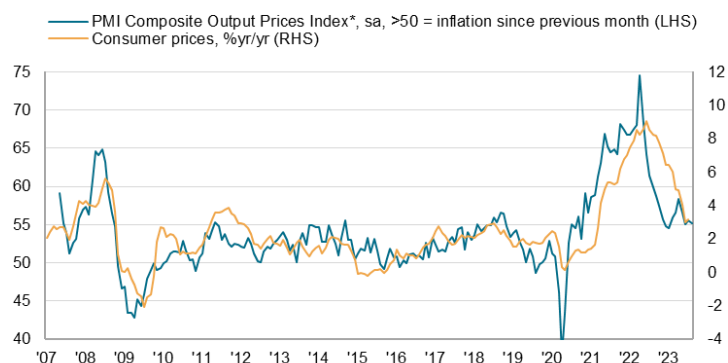
“Rising wage pressures as well as increased energy prices have meanwhile pushed input cost inflation higher, which will raise concerns over the stickiness of consumer price inflation in the months ahead. One upside is that weak demand is starting to limit pricing power, which should help keep a lid on inflation around the 3% mark.”

PMI™

by **S&P Global**

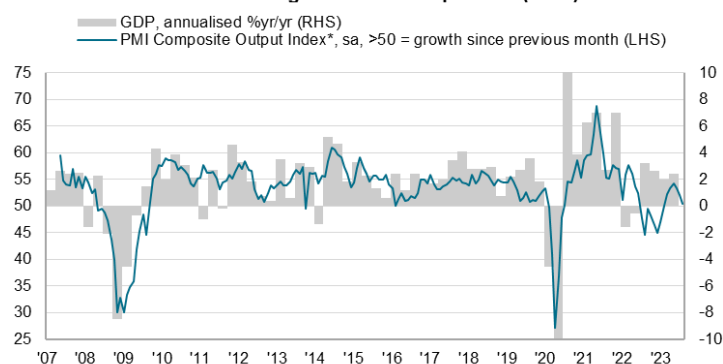
News Release

S&P Global Flash US PMI vs inflation



Sources: S&P Global PMI, Bureau of Economic Analysis via S&P Global Market Intelligence.
© 2023 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.
© 2023 S&P Global. *PMI Manufacturing Output Index May '07- Sep '09.

Contact

S&P Global Market Intelligence

Síán 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

News Release

Notes to editors

Final August data are published on 1 September for manufacturing and 6 September 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 ²	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 © 2023 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 registered trade marks of Market Economics Limited or licensed to Market Economics Limited 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.