

MARKET SENSITIVE INFORMATION

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S&P Global Flash US Composite PMI®

Business activity growth ticks higher in December

Key findings:

Flash US PMI Composite Output Index⁽¹⁾ at 51.0 (November: 50.7). 5-month high.

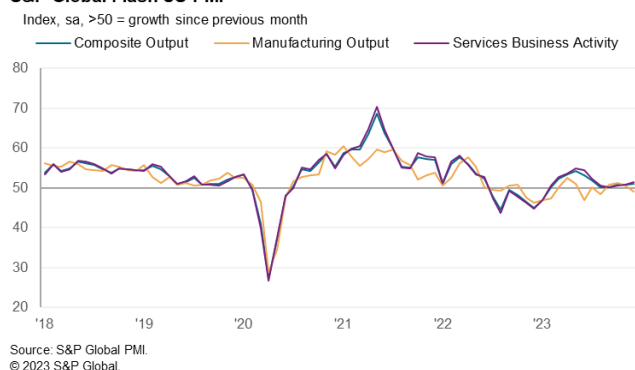
Flash US Services Business Activity Index⁽²⁾ at 51.3 (November: 50.8). 5-month high.

Flash US Manufacturing Output Index⁽⁴⁾ at 49.0 (November: 50.5). 4-month low.

Flash US Manufacturing PMI⁽³⁾ at 48.2 (November: 49.4). 4-month low.

Data were collected 06-14 December 2023.

S&P Global Flash US PMI



Overview

US businesses signalled a slightly stronger close to 2023 as activity rose at the fastest pace for five months in December. The quicker upturn in output was supported by the sharpest increase in new orders since July. Nonetheless, rates of expansion remained historically subdued as firms continued to highlight challenges stimulating demand.

Growth was driven by the service sector, as manufacturers registered a further downturn in new orders and a renewed drop in production.

Meanwhile, cost pressures gained momentum as input prices increased at the quickest pace since September. Although firms continued to pass through higher costs to customers, and at a strong rate, the overall pace of prices charged inflation softened from November.

December saw a renewed upturn in hiring among firms, as employment grew at the fastest pace in three months. In line with the trend for output, job creation was focused on the service sector as goods producers cut headcounts for the third month running.

Output and demand

At 51.0, the headline S&P Global Flash US PMI Composite Output Index was up slightly from 50.7 in November and posted above the 50.0 neutral mark for the eleventh successive month to signal a modest expansion in business activity. The rate of growth, although subdued in the context of the series history, accelerated to the fastest since July.

There was a divergence in sector trends with regards to output in December, as service providers signalled a faster expansion in activity while manufacturers recorded a renewed decline in production. The fall in manufacturing output was only slight but stemmed from a quicker drop in new orders. Service sector firms, however, registered the joint-fastest rise in new business in six months. Stronger customer demand was linked to greater advertising spending, looser financial conditions and upselling of additional service lines to existing clients.

Meanwhile, new export orders were unchanged on the month as a contraction in service sector new business from abroad countered an expansion in foreign client demand at manufacturers. Service providers noted that pressure on disposable incomes in overseas markets had constrained customers' purchasing power.

Manufacturers and service providers alike were more upbeat in their expectations regarding the outlook for output over the coming year in December. Business confidence was the strongest for six months, as firms linked optimism to increased referrals and hopes for further improvements to demand conditions in 2024. The level of positive sentiment remained below the long-run series average, however, amid concerns regarding demand fragility.

Employment

Following broadly unchanged employment levels during November, US businesses registered a return to job

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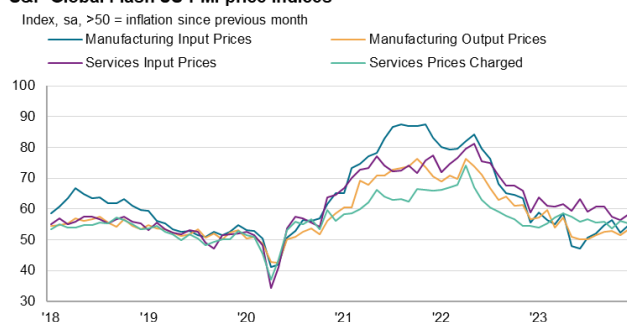
creation at the end of the year. The rate of growth in staffing numbers was modest overall and the quickest since September. New hires were brought in to process incoming new work, but also in anticipation of greater new business in the coming months.

That said, employment growth was led by service providers. Service sector firms recorded the fastest rise in headcounts since June, while manufacturing companies registered a third successive monthly round of job shedding.

Greater employment allowed for a quicker drop in backlogs of work during December, as incomplete business fell at the fastest pace in three months. Subdued growth in new orders also led to fewer strains on capacity and enabled firms to process new business in a timely manner.

Prices

S&P Global Flash US PMI price indices



Source: S&P Global PMI.
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Higher prices for materials and fuel, alongside greater wage bills, added pressure to cost burdens during December. The pace of input price inflation picked up to the steepest since September, albeit broadly in line with the historic trend rate. Although much slower than the average seen over the last three years, inflation regained momentum at the end of the year at both manufacturers and service providers.

Firms moderated the extent to which higher costs were passed through to customers, as the pace of charge inflation slowed from November. Service sector selling price inflation cooled to the second-lowest in ten months. Manufacturers, however, raised their selling prices at the quickest rate since April in a bid to protect margins.

Manufacturing PMI

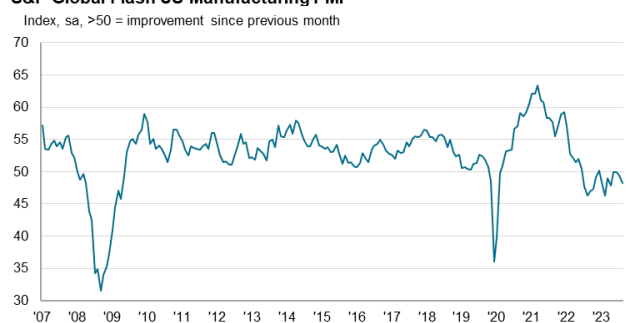
The S&P Global Flash US Manufacturing PMI posted 48.2 in December, down from 49.4 in November, to signal a sharper deterioration in operating conditions across the goods-producing sector. The decline in the health of the sector was the second in as many months and the strongest since August. Contributing to the sub-50.0 headline figure were contractions in output, new orders, employment and stocks of purchases, alongside

an improvement in vendor performance (signalling spare capacity at suppliers).

Moreover, supplier delivery times improved to the greatest extent since September amid weaker demand for inputs and increased material availability. In fact, manufacturers reduced their input buying at the steepest pace since June, with many choosing to cut costs and continue working through stocks to fulfil new order requirements.

Although pre-production inventories fell at a solid pace, stocks of finished goods rose for the first time since March as lower than anticipated sales led to an accumulation of items.

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 early PMI data indicate that the US economy picked up a little momentum in December, closing off the year with the fastest growth recorded since July.

“Looser financial conditions have helped boost demand, business activity and employment in the service sector, and have also helped lift future output expectations higher. However, the increased cost of living and cautious approach to spending by households and businesses means the overall rate of service sector growth remains far short of that witnessed during the travel and leisure revival back in the spring and summer.

“Manufacturing meanwhile remains a drag on the economy, with an increased rate of order book decline prompting factories to reduce production, cut back on headcounts and scale back their input buying.

“Despite the December upturn, the survey therefore signals only weak GDP growth in the fourth quarter.

“The survey’s selling price gauge, which tends to lead changes in consumer price inflation, remains sticky but at a level which is indicative of CPI running only modestly above 2%. Service sector input cost inflation, a key gauge of core inflation, once again remained notably

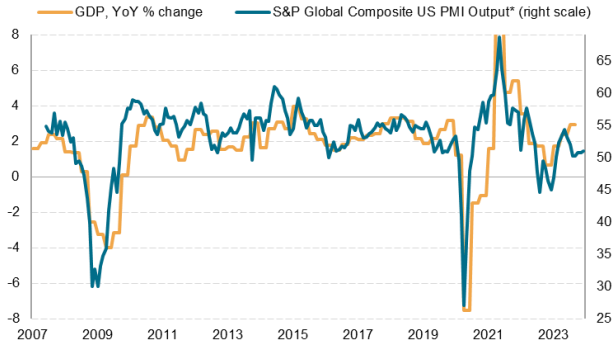
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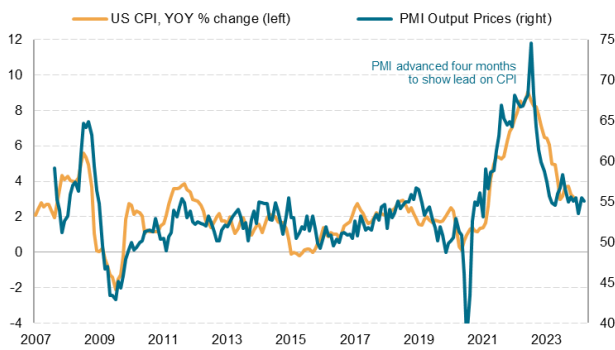
elevated by historical standards, though even here the average rate of increase in the fourth quarter has been the lowest since mid-2020.”

US annual GDP growth and the PMI



Data compiled December 15, 2023.
* PMI covers manufacturing only prior to 2009 but manufacturing & services thereafter.
Sources: S&P Global PMI, S&P Global Market Intelligence, BEA.
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US inflation and the PMI output prices index



Data compiled December 15, 2023 using flash PMI data for September.
PMI covers manufacturing only prior to 2009 but manufacturing & services thereafter.
Source: S&P Global PMI, BEA via S&P Global Market Intelligence.
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Notes to editors

Final December data are published on 2 January for manufacturing and 4 January 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?"

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