

## MARKET SENSITIVE INFORMATION

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# S&P Global Flash US Composite PMI™

## Fastest uptick in US private sector business activity for almost a year, as new orders return to growth, but selling price inflation accelerates

### Key findings:

Flash US PMI Composite Output Index<sup>(1)</sup> at 53.3 (February: 50.1). 10-month high.

Flash US Services Business Activity Index<sup>(2)</sup> at 53.8 (February: 50.6). 11-month high.

Flash US Manufacturing Output Index<sup>(4)</sup> at 51.0 (February: 47.4). 10-month high.

Flash US Manufacturing PMI<sup>(3)</sup> at 49.3 (February: 47.3). 5-month high.

Data were collected 10-23 March

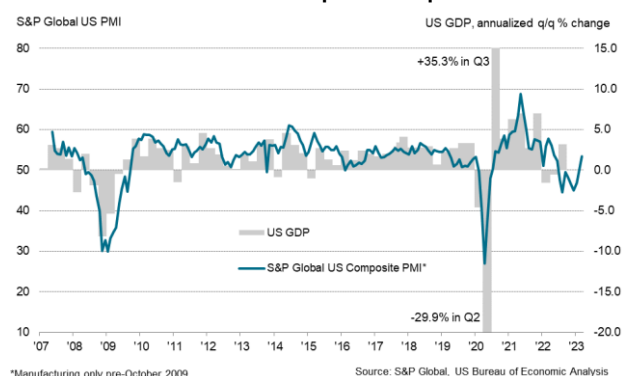
US companies signalled a renewed expansion in business activity in March, according to the latest 'flash' PMI™ data from S&P Global. Output grew at a solid pace that was the fastest since May 2022 as demand conditions improved and new order growth returned. Manufacturers and service providers alike registered upturns in output, with service sector firms driving the increase.

The headline **S&P Global Flash US PMI Composite Output Index** registered 53.3 in March, up notably from 50.1 in February. The latest index reading was the highest for almost a year, and signalled a solid expansion in private sector activity. Goods producers recorded the first rise in production since October 2022, partially stemming from the greatest improvement in delivery times on record, while service providers indicated a notable acceleration in the increase in business activity. The expansion in service sector output was solid and the quickest since May 2022.

March data signalled a return to **new order** growth, with the upturn the first since last September. Although only marginal, the rise in new business was the sharpest in ten months. The uptick in demand conditions was attributed to new client enquiries and the introduction of new products. That said, the expansion was confined to the service sector as manufacturers continued to register a decrease in new order inflows. The rate of decline in manufacturing new sales eased to the slowest in the current six-month run of contraction, however.

**New export orders** contracted for the tenth successive month at the end of the first quarter, as foreign client demand conditions remained historically subdued. The pace of contraction was only marginal, however, and the softest seen over the past ten months.

### S&P Global Flash US PMI Composite Output Index



On the price front, **input costs** faced by businesses continued to rise at an historically elevated pace in March despite the rate of inflation softening to the second-slowest since October 2020. Although raw material and supplier price hikes had eased, firms stated that greater wage bills pushed up cost burdens.

In contrast, the pace of **selling price** inflation quickened at the end of the first quarter. The rate of increase was the fastest for five months. Sharper upticks in output prices were led by service providers, as manufacturing companies recorded the slowest rise in factory gate charges for almost two-and-a-half years. Service sector firms noted that more accommodative demand conditions allowed them to pass-through higher cost burdens, whilst goods producers sought to reflect moderations in cost burdens in their output charges to remain competitive.

Stronger overall demand conditions resulted in faster **employment** growth during March. The rate of total job creation was the fastest for six months, as firms added to staffing numbers in response to increased new orders. At the same time, **backlogs of work** grew for the first time since last September. Although only marginal, the rate of expansion was the fastest in ten months.

Meanwhile, **business confidence** slipped to a three-month low in March, dipping further below the survey's long-run average. Inflationary pressures, financial market uncertainty and higher interest rates reportedly moderated expectations of potential growth in the year ahead, notably in the service sector.

# PMI™

by **S&P Global**

# News Release

## S&P Global Flash US Services PMI™

The **S&P Global Flash US Services Business Activity Index** posted 53.8 in March, up from 50.6 in February to signal a solid expansion in service sector business activity. The rise in output was the fastest since April 2022, with firms linking the upturn to stronger demand conditions and a renewed increase in new business.

New orders at service providers increased for the first time since last September, as greater client activity sparked a modest upturn in new sales. The expansion in new business was the fastest since May 2022 with domestic and foreign client demand both improving.

Input prices rose markedly again in March, despite the rate of cost inflation softening to the second-slowest since October 2020. Firms' pricing power was buoyed by stronger demand conditions, as they raised their selling prices at the sharpest rate for five months.

A renewed upturn in new business led to the fastest increase in backlogs of work since May 2022. Pressure on capacity subsequently drove job creation, as service sector employment rose at the steepest rate since last September.

Service sector business expectations regarding the outlook for the coming year remained upbeat during March. Concerns relating to inflation and higher interest rates nonetheless weighed on confidence, as the degree of optimism dipped from that seen in February to below the series average.

## S&P Global Flash US Manufacturing PMI™

At 49.3, the **S&P Global Flash US Manufacturing PMI** was up from 47.3 in February, and signalled a slight deterioration in operating conditions across the manufacturing sector during March. The rate of decline in the health of the sector was the slowest in the current five-month sequence of deterioration amid a renewed rise in production and a softer fall in new orders.

Output across the goods-producing sector increased for the first time since last October, and at the steepest rate for ten months. Companies noted that greater production stemmed from a less marked contraction in new sales. The decline in new orders was the slowest in the current six-month sequence of decrease amid signs of improvements in demand conditions. New export orders fell at a sharper pace, however.

Inflationary pressures across the manufacturing sector softened in March. Rates of increase in input costs and output charges slowed as firms noted less marked supplier price hikes and moderations in some raw material costs. The rise in cost burdens was the second-slowest since July 2020, as companies increased their selling prices at the softest rate since October 2020 in a bid to remain competitive.

Increased output and an unprecedented improvement in

supplier delivery times led to a slower fall in input buying and a softer depletion of pre-production inventories. Lead times were reduced to the greatest extent on record (since May 2007), allowing firms to start replenishing stocks and process backlogs of work, which fell solidly. At the same time, post-production inventories expanded for the first time in four months.

Employment continued to rise at a modest pace in March, with the rate of job creation broadly in line with the series average. Firms noted further difficulties finding skilled candidates.

Finally, output expectations regarding the next 12 months were buoyed by hopes of greater investment, increased marketing spending and boosts to client demand. The degree of confidence was below the series trend, however, and the lowest for three months, amid inflationary concerns and uncertainty about the outlook for demand.

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

*"March has so far witnessed an encouraging resurgence of economic growth, with the business surveys indicating an acceleration of output to the fastest since May of last year."*

*"The PMI is broadly consistent with annualized GDP growth approaching 2%, painting a far more positive picture of economic resilience than the declines seen throughout the second half of last year and at the start of 2023."*

*"The upturn is uneven, however, being driven largely by the service sector. Although manufacturing eked out a small production gain, this was mainly a reflection of improved supply chains allowing firms to fulfil backlogs of orders that had accumulated during the post-pandemic demand surge. Tellingly, new orders have now fallen for six straight months in manufacturing. Unless demand improves, there seems little scope for production growth to be sustained at current levels."*

*"In services, there are more encouraging signs, with demand blossoming as we enter spring. It will be important to assess the resilience of this demand in the face of the recent tightening of interest rates and the uncertainty caused by the banking sector stress, which so far only seems to have had a modest impact on business growth expectations."*

*"There is also some concern regarding inflation, with the survey's gauge of selling prices increasing at a faster rate in March despite lower costs feeding through the manufacturing sector. The inflationary upturn is now being led by stronger service sector price increases, linked largely to faster wage growth."*

# News Release

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## Note to Editors

Final February data are published on 3 April for manufacturing and 5 April 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 <sup>1</sup>	0.1	0.4
Manufacturing <i>PMI</i> <sup>2</sup>	0.0	0.3
Services Business Activity Index <sup>2</sup>	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 [economic@ihsmarkit.com](mailto:economic@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.

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## 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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