

## MARKET SENSITIVE INFORMATION

Embargoed until 0945 EDT (1345 UTC) 23 June 2023

# S&P Global Flash US Composite PMI™

## US economic upturn slows in June as dependence on services grows

### Key findings:

Flash US PMI Composite Output Index<sup>(1)</sup> at 53.0 (May: 54.3). 3-month low.

Flash US Services Business Activity Index<sup>(2)</sup> at 54.1 (May: 54.9). 2-month low.

Flash US Manufacturing Output Index<sup>(4)</sup> at 46.9 (May: 51.0). 5-month low.

Flash US Manufacturing PMI<sup>(3)</sup> at 46.3 (May: 48.4). 6-month low.

Data were collected 12-22 June 2023.

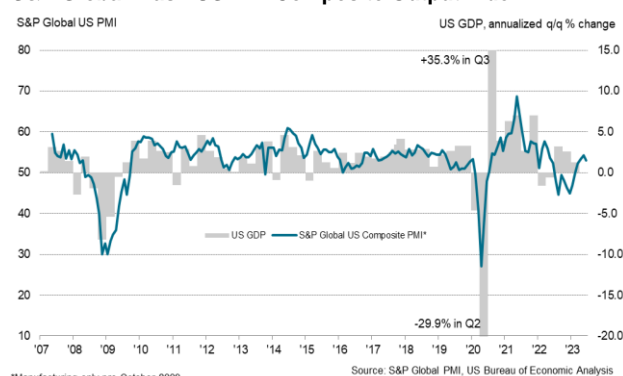
US companies signalled a further expansion of business activity at the end of the second quarter, although the rate of growth slowed to a three-month low. Manufacturers reported a renewed contraction in production while service providers saw a slower, but still solid, upturn in output. Jobs growth meanwhile sank to the slowest since January. Although higher wages added to firms' costs, selling price inflation for goods and services hit a 32-month low.

At 53.0 in June, the headline **S&P Global Flash US PMI Composite Output Index** indicated a fifth successive monthly increase in activity across the private sector. The latest index figure was below the 54.3 seen in May and signalled the slowest upturn in output since March. Manufacturers weighed on the overall expansion, as goods producers recorded a solid decline in production after three months of growth. Factory production fell at the steepest rate since January. Robust growth continued to be recorded in the service sector, albeit with the rate of expansion cooling from May's 13-month high.

Driving the trend in output was a further rise in **new orders** at firms. Although slightly softer than that seen in May, the rate of growth remained solid and was the second-fastest in just over a year. The upturn was entirely driven by service providers, however, as manufacturers reported the sharpest drop in new orders since December, citing weak customer confidence and destocking by clients. Service sector firms noted that strong demand conditions and referrals contributed to growth of new business, which rose at a rate only marginally below May's 13-month peak.

A similar trend was seen for international demand, as manufacturers saw a sharp fall in **new export orders** while service sector firms recorded another marked monthly upturn in new business from abroad.

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



Following a loss of momentum in May, price pressures gained intensity in June. The rate of **cost inflation** across goods and services picked up to a robust pace. The reigniting of cost inflationary pressures was driven by the service sector amid increased wage bills. Although quicker than the series trend, the rate of increase was much softer than the average seen over the last two years as manufacturing firms recorded a further decrease in input prices amid falling raw material prices, which fell at the fastest rate since May 2020.

Despite a sharper rise in cost burdens, US firms raised their **selling prices** at the slowest pace since October 2020. The increase in manufacturing factory gate charges was the softest for three years, as firms sought to boost sales and pass on supplier price falls. While service sector charges continued to rise at a pace above the survey's pre-pandemic average, the rate of inflation cooled further from April's recent peak to the slowest since January.

Firms continued to see an increase in **employment** in June, extending the current sequence of job creation that began in July 2020. Success in hiring for long-held vacancies and greater new orders reportedly spurred the rise. The pace of employment growth nevertheless eased to the softest since January, reflecting a combination of lower demand for staff and poor candidate availability.

Weak demand conditions led to a further marked decrease in **backlogs of work** at manufacturing firms, though service providers registered a renewed (though marginal) rise in work outstanding.

Diverging trends in demand conditions across the manufacturing and service sectors were reflected in

# PMI™

by **S&P Global**

# News Release

respective degrees of confidence in the outlook for output over the coming year in June. Confidence dipped to a six-month low among manufacturers amid concerns regarding inflation and lower sales. Services firms, however, reported the strongest level of positive sentiment since May 2022.

## S&P Global Flash US Services PMI™

At 54.1, the **S&P Global Flash US Services Business Activity Index** indicated a further solid expansion in output at services firms in June. The upturn was reportedly led by strong customer confidence and new client acquisitions. The rate of growth was slower than that seen in May (index at 54.9) but was the second-fastest since April 2022.

Demand conditions at service providers remained robust, as new orders increased at a strong rate in June. Firms noted a greater inclination to spend among customers, with client referrals also rising. The pace of expansion was broadly in line with May's 13-month high. New export orders also rose, signalling back-to-back monthly increases in external client demand.

Service sector firms registered a quicker rise in input prices at the end of the second quarter. The rate of cost inflation was the steepest for five months, as companies stated that greater wage bills in particular placed further pressure on business expenses. Conversely, companies sought to remain competitive and drive sales which led to a slower uptick in output charges during June.

Services firms continued to hire amid greater new orders. That said, the rate of job creation eased to the weakest since January amid challenges replacing voluntary leavers.

In response to problems hiring sufficient new staff, the level of outstanding business at service providers increased in June. The upturn followed a decline seen in May, though was only marginal overall.

Strong demand conditions helped support an uptick in business confidence in June. Firms were upbeat in their expectations for output over the coming year, with the level of optimism the highest since May 2022.

## S&P Global Flash US Manufacturing PMI™

The **S&P Global Flash US Manufacturing PMI** posted 46.3 in June, down from 48.4 in May, to signal a sharper deterioration in operating conditions across the manufacturing sector. The decline in the health of the sector was the most severe in 2023 to date and stemmed from a marked reduction in new orders.

Manufacturers recorded the fastest rate of contraction in new orders since December 2022, with weak demand linked to muted customer confidence. Some firms also noted that sufficient stock levels at clients had led to lower new orders. Similarly, foreign client demand remained subdued. Although easing from that seen in May, the pace of contraction in new export orders was steep overall.

Cost pressures continued to dwindle across the manufacturing sector, as suppliers sought to boost their

sales and offer reduced prices. The pace at which input prices fell was the quickest since May 2020.

The pace of selling price inflation was only fractional and the slowest in the current sequence of inflation that began just over three years ago. Weighing on firms' ability to hike prices was weak demand and efforts to stay competitive.

In line with subdued demand, firms sought to run down their stocks and reduce input purchasing in June. Input buying fell at the steepest rate since January, and both pre- and post-production inventories declined sharply.

Greater success in finding suitable candidates allowed firms to expand their workforce numbers in June, despite concerns surrounding future demand conditions. The rate of job creation slowed slightly but remained among the fastest in a year. Increased employment and lower new orders led to a substantial decline in backlogs of work.

Although strongly upbeat in their expectations, manufacturers moderated their confidence regarding the outlook for output over the next year in June. The degree of optimism was the weakest in 2023 so far, amid customer hesitancy and inflationary concerns.

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

*"The overall rate of expansion of business activity in the US remained robust in June, consistent with GDP rising at a rate of 1.7% to put second quarter growth in the region of 2%.*

*"Growth remains dependent on service sector spending, however, with manufacturing slipping back into decline after three months of growth. While improving supply conditions had helped boost manufacturing production in prior months, an increasingly severe downturn in new orders mean factories are running out of work.*

*"The situation is brighter in the service sector, where demand is proving resilient and the recent pause in rate hikes appears to have helped boost business optimism for the year ahead.*

*"The question remains as to how resilient service sector growth can be in the face of the manufacturing decline and the lagged effect of prior rate hikes. Any further rate hikes will of course have a further dampening effect on this sector which is especially susceptible to changes in borrowing costs.*

*"The tightness of the labor market remains a concern, and upward wage pressure remains a key driver of higher costs in the service sector. However, it is encouraging to see the overall rate of selling price inflation for goods and services drop to the lowest since late 2020 in a sign that the Fed is winning its fight against inflation."*

**PMI™**

by **S&P Global**

# 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](mailto:sian.jones@spglobal.com)

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

## Note to Editors

Final June data are published on 3 July for manufacturing and 6 July 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 [economics@ihsmarkit.com](mailto: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](http://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. To learn more go to <https://ihsmarkit.com/products/pmi.html>.

If you prefer not to receive news releases from S&P Global, please contact [katherine.smith@spglobal.com](mailto: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 Markit Economics Limited or licensed to Markit 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.