

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 0945 (EST) / 1445 (UTC) 22<sup>nd</sup> February 2022**

## IHS Markit Flash US Composite PMI™

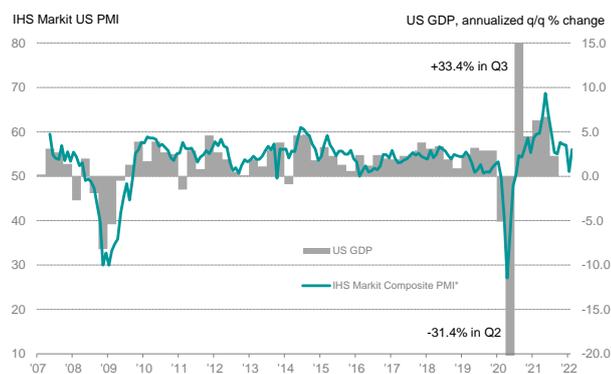
### US economy rebounds from Omicron wave, but output prices rise at survey record pace

**Key findings:**

- Flash US Composite Output Index at 56.0 (51.1 in January). 2-month high.
- Flash US Services Business Activity Index at 56.7 (51.2 in January). 2-month high.
- Flash US Manufacturing PMI at 57.5 (55.5 in January). 2-month high.
- Flash US Manufacturing Output Index at 52.5 (50.5 in January). 2-month high.

Data collected February 10-18

#### IHS Markit Composite PMI and US GDP



\*Manufacturing only pre-October 2009  
 Sources: IHS Markit, US Bureau of Economic Analysis

Growth of private sector output in the US gained considerable momentum in February as companies reported a notable recovery in demand from COVID-related disruptions at the start of the year. Services firms led the rise, although manufacturers likewise registered a stronger increase in output, buoyed by a slight easing of supply bottlenecks. However, February also saw a survey record rise in average prices charged for goods and services.

Rising from an 18-month low of 51.1 in January to

56.0 in February, the seasonally adjusted **IHS Markit Flash US Composite PMI Output Index** indicated a substantial expansion in private sector output that outpaced the long-run series average.

Both the manufacturing and service sectors recorded stronger expansions in output, with companies linking growth to substantial gains in new business, employees returning from sick leave, increased travelling and greater availability of raw materials.

February data highlighted a sharp and accelerated increase in new business among private sector companies that was the fastest in seven months. Firms mentioned that sales were boosted by the retreat of the pandemic, improved underlying demand, expanded client bases, aggressive marketing campaigns and new partnerships. Customers reportedly made additional purchases to avoid future price hikes. Quicker increases in sales were evident among both manufacturers and service providers.

Inflationary pressures across the private sector intensified in February, with the rate of input price inflation quickening from January's ten-month low. Panellists continued to indicate higher raw material, transportation and wage costs. Global shortages of raw materials and lingering supply-chain disruptions were again cited, albeit less so than in prior months.

Prices charged for goods and services in the US rose at a record pace in February as companies continued to share additional cost burdens with their clients. Manufacturers signalled a sharper increase in selling prices than service providers, though the latter reported a record rise.

Private sector employment expanded further in February, taking the current sequence of job creation to 20 months. Moreover, the increase was marked and the strongest since last May. Anecdotal evidence indicated that hiring activity stemmed from sustained gains in new work and an associated rise in output requirements. Goods producers posted a moderate expansion in staff numbers, while jobs growth quickened to a nine-month high among services firms.

### IHS Markit Flash US Services PMI™

At 56.7 in February, up from 51.2 in January, the seasonally adjusted **IHS Markit Flash US Services PMI™ Business Activity Index** highlighted a substantial and accelerated upturn in output.

Boosting the latest rise in business activity was a quicker increase in new work intakes. Companies noted the strongest expansion in sales since last July. International demand for US services also strengthened in February.

With demand conditions improving, service providers continued to hire extra staff. The increase was marked and the fastest in nine months.

On the price front, there were sharper increases in both input costs and output prices. Notably, the rate of charge inflation hit a series peak.

### IHS Markit Flash US Manufacturing PMI™

The **IHS Markit Flash US Manufacturing Purchasing Managers' Index™ (PMI™)**<sup>1</sup> rose from 55.5 in January to 57.5 in February, signalling a stronger improvement in business conditions across the sector. Although the Suppliers' Delivery Times Index continued to inflate the PMI, the latest reading was also boosted by stronger increases in output and new orders.

Production rose at a quicker rate in February, albeit one that was moderate relative to those registered in 2021. Anecdotal evidence indicated that growth was hampered by raw material scarcity, supply-chain disruptions and labour shortages.

Factory orders increased at a sharp and accelerated pace in February, prompting firms to resume their hiring efforts after a blip in January. Export sales likewise expanded, with growth hitting a five-month high.

In contrast to the trend seen in the service sector, input cost inflation among manufacturers eased to a nine-month low midway through the quarter. That said, the rate of inflation remained elevated and outpaced that seen for services.

Additional cost burdens continued to be transferred to clients, as evidenced by another increase in factory gate charges. The rate of output price inflation was sharp and the fastest in three months.

Finally, manufacturers continued to purchase additional inputs for use in the production process, with the rate of input buying growth improving to a five-month high. Suppliers' delivery times meanwhile lengthened to the least extent since last May.

### Comment

Commenting on the PMI data, **Chris Williamson, Chief Business Economist** at IHS Markit, said:

*"The pace of economic growth accelerated sharply in February as virus containment measures, tightened to fight the Omicron wave, were scaled back. Demand was reported to have revived and supply constraints, both in terms of component availability and staff shortages, moderated."*

*"With demand rebounding and firms seeing a relatively modest impact on order books from the Omicron wave, future output expectations improved to the highest for 15 months, and jobs growth accelerated to the highest since last May, adding to the upbeat picture."*

*"The service sector rebounded especially impressively, accompanied by a more muted upturn in manufacturing. Goods producers remain hamstrung by supply shortages which, although easing to the lowest since last May, continued to severely limit production growth, resulting in a further large rise in backlogs of work."*

*"The supply constraints also contributed to a further marked increase in firms' costs, which rose yet again at another near-record pace in February. Increasing numbers of companies sought to pass these higher costs on to customers, resulting in the largest increase in average prices charged yet recorded by the survey."*

*"With growth rebounding sharply amid resurgent demand, and price pressures rising again to an all-time high, the survey will add to expectations of a more aggressive policy tightening by the FOMC."*

-Ends-

<sup>1</sup> Please note that IHS Markit's PMI data, flash and final, are derived from information collected by IHS Markit from a different panel of companies to those that participate in the ISM surveys. No information from the ISM survey is used in the production of IHS Markit's PMI.

**For further information, please contact:****IHS Markit**

Siân Jones, Senior Economist  
Telephone +44-1491-461-017  
Email [sian.jones@ihsmarkit.com](mailto:sian.jones@ihsmarkit.com)

Katherine Smith, Corporate Communications  
Telephone +1 (781) 301-9311  
E-mail [katherine.smith@ihsmarkit.com](mailto:katherine.smith@ihsmarkit.com)

**Note to Editors:**

Final February data are published on March 1 2022 for manufacturing and March 3 2022 for services and composite indicators.

The Composite Output PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. 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?"

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. 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?"

The US Services PMI™ (*Purchasing Managers' Index*™) is produced by IHS Markit and is based on original survey data collected from a representative panel of over 400 companies based in the US service sector. IHS Markit began collecting monthly PMI data in the US service sector in October 2009. The flash estimate is typically based on approximately 85%–90% of total PMI survey responses each month and is designed to provide an accurate advance indication of the final PMI data.

The IHS Markit US Services PMI complements the IHS Markit US Manufacturing PMI and enables the production of the IHS Markit US Composite PMI which tracks business trends across both the manufacturing and service sectors, based on original survey data collected from a representative panel of over 1,000 companies.

IHS Markit began collecting monthly *Purchasing Managers' Index*™ (PMI™) data in the U.S. in April 2004, initially from a panel of manufacturers in the US electronics goods producing sector. In May 2007, IHS Markit's US PMI research was extended out to cover producers of metal goods. In October 2009, IHS Markit's US Manufacturing PMI survey panel was extended further to cover all areas of US manufacturing activity. Back data for IHS Markit's US Manufacturing PMI between May 2007 and September 2009 are an aggregation of data collected from producers of electronic goods and metal goods producers, while data from October 2009 are based on data collected from a panel representing the entire US manufacturing economy. IHS Markit's total US Manufacturing PMI survey panel comprises over 600 companies.

The panel is stratified by North American Industrial Classification System (NAICS) group and company size, based on industry contribution to US GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'. Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

IHS Markit 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 IHS Markit. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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