News Release

MARKET SENSITIVE INFORMATION
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S&P Global Flash US Composite PMI®

US private sector growth edges higher while inflationary pressures ease in October

Key findings:

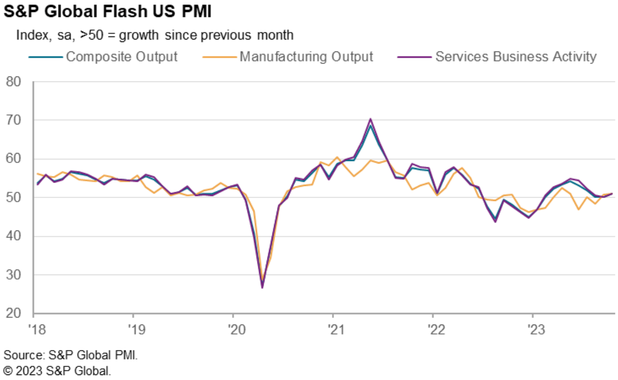
Flash US PMI Composite Output Index(1) at 51.0 (September: 50.2). 3-month high.

Flash US Services Business Activity Index(2) at 50.9 (September: 50.1). 3-month high.

Flash US Manufacturing Output Index(4) at 51.1 (September: 50.8). 6-month high.

Flash US Manufacturing PMI(3) at 50.0 (September: 49.8). 6-month high.

Data were collected 12-23 October 2023.



Overview

US companies signalled a marginal expansion in business activity during October, following broadly stagnant output seen in August and September. Manufacturers and service providers alike reported improved activity levels as the downturn in demand moderated. The rise in total output was the quickest for three months.

Demand conditions at manufacturers improved for the first time since April, while service providers saw a slower drop in new orders.

Meanwhile, inflationary pressures softened. Cost burdens rose at the slowest pace for three years, with firms moderating hikes in selling prices at the same time. The rate of charge inflation eased to the weakest since June 2020 and was slower than the long-run series average. Firms were reportedly keen to pass through any cost savings made to customers in a bid to drive sales.

Output and demand

At 51.0 in October, the headline S&P Global Flash US PMI Composite Output Index rose from 50.2 at the end of the third quarter to signal a modest uptick in business activity. Growth in output was the strongest since July, albeit only slight overall.

The overall upturn was supported by expansions in activity at manufacturers and service providers at the start of the fourth quarter. Production at manufacturing firms rose at the quickest pace since April, while output growth at service sector firms was the fastest in three months. Goods producers in particular noted that stronger demand conditions drove the expansion amid a renewed increase in new orders.

Although some service providers highlighted a pick-up in customer numbers, many continued to note that high interest rates and challenging economic conditions weighed on client demand. Some mentioned smaller and less frequent orders being placed by customers. As such, service sector new business fell for a third month running, albeit at a softer pace than seen in September. In contrast, manufacturers registered the fastest rise in new orders in just over a year. Some factories attributed this to the diversification of products and sales strategies.

Nonetheless, foreign client demand remained subdued in October. With the exception of a fractional rise in July, total new export orders have fallen in each month since June 2022. Dollar strength leading to reduced competitiveness, alongside difficult economic conditions in key export markets, led to a dearth of new export orders, according to panellists.

More encouragingly, October data signalled improved expectations among firms regarding the 12-month outlook for output. The degree of confidence picked up to the joint-highest since May 2022, and was led by greater optimism among service providers. Positive sentiment was supported by hopes of stronger demand conditions, an improved ability to hire workers and expand capacity, and an increase in sales initiatives. In contrast, manufacturers reported lower optimism as backlogs of work dwindled, despite a marginal rise in new orders.

Employment

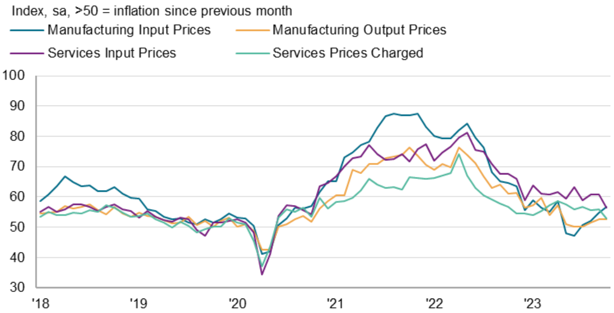
US businesses continued to hire additional workers during October, albeit at a slightly reduced pace compared to September. The rate of employment growth was only marginal overall as many firms noted that voluntary leavers were not replaced due to uncertainty surrounding future demand conditions and efforts to make cost savings.

The rise in workforce numbers was led by service providers, as manufacturing firms registered a fractional drop in staffing numbers on the month. This signalled the first decline in manufacturing jobs seen since July 2020.

Backlogs of work at firms fell for the sixth month running in October, with the pace of decline easing to the slowest since July. That said, some companies stated that the level of outstanding business moved towards stabilization as incomplete work dwindled and businesses had sufficient capacity to process the new orders inflows.

Prices

S&P Global Flash US PMI price indices



Source: S&P Global PMI.
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Following a renewed uptick in inflationary pressures in September, rates of increase in input costs and output charges slowed at the start of the fourth quarter. Weaker demand for inputs reportedly led suppliers to reduce material prices, therefore relieving some pressure on cost burdens. The pace of increase in operating expenses was the slowest in three years, as some firms also noted the removal of some surcharges on components. The softer rise in costs was led by service providers, however, as goods producers recorded the sharpest uptick in input prices since April. Hikes in oil and oil-derived material prices pushed up cost burdens in the manufacturing sector.

To drive sales and entice customers, companies raised their average selling prices for goods and services at the slowest pace since June 2020 in October. Manufacturers continued to increase output prices at a modest pace, but service providers saw a notable slowdown in charge inflation amid competitive pressures and customer requests for concessions.

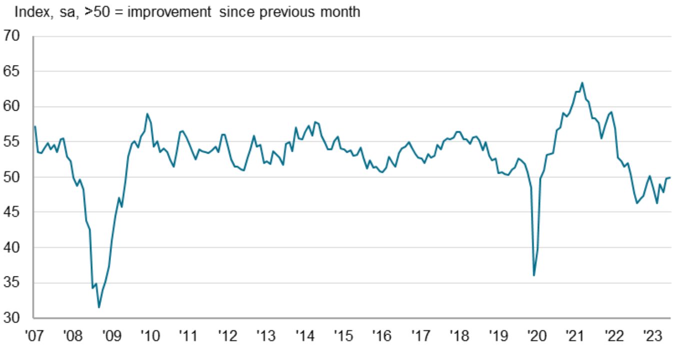
Manufacturing PMI

The S&P Global Flash US Manufacturing PMI posted 50.0 in October, up fractionally from 49.8 in September, to signal a stabilization in operating conditions at manufacturing firms. The headline index was the highest since April, despite indicating no change in the health of the sector on the month.

A further improvement in supplier performance and still soft demand conditions led firms to cut their input buying for the fifteenth month running in October. The rate of decline was the slowest since April, but firms continued to highlight the rundown of safety stocks, with pre-production inventories falling at a faster pace. Stocks of finished goods also fell further. The rate of contraction softened, however, as some firms noted that cancelled orders were moved to inventories following a reduction in backlogs of work.

Meanwhile, some reports of labor and material shortages at suppliers led to the least marked improvement in lead times since January.

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:

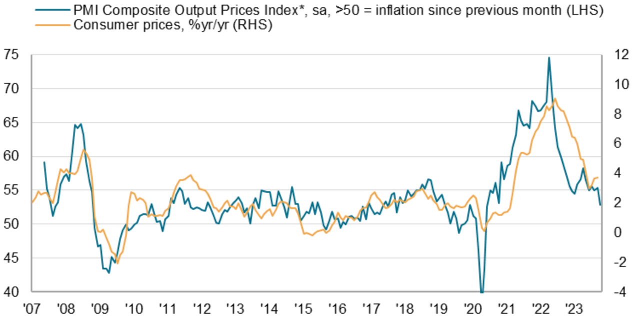
"Hopes of a soft landing for the US economy will be encouraged by the improved situation seen in October. The S&P Global PMI survey has been among the most downbeat economic indicators in recent months, so the upturn in US output growth signalled at the start of the fourth quarter is good news. Future output expectations have also turned up despite rising geopolitical concerns and domestic political tensions, climbing to the joint-highest for nearly one-and-a-half years.

"Sentiment has improved in part due to hopes of interest rates having peaked, something which looks increasingly likely given the further cooling of inflationary pressures

witnessed in October. In spite of higher oil prices, firms' input cost inflation fell sharply to the lowest since October 2020, and average selling prices for goods and services posted the smallest monthly rise since June 2020.

"The survey's selling price gauge is now close to its pre-pandemic long-run average and consistent with headline inflation dropping close to the Fed's 2% target in the coming months, something which looks likely to be achieved without output falling into contraction. That said, the tensions in the Middle East pose downside risks to growth and upside risks to inflation, adding fresh uncertainty to the outlook."

S&P Global Flash US PMI vs inflation



Sources: S&P Global PMI, Bureau of Economic Analysis via S&P Global Market Intelligence.
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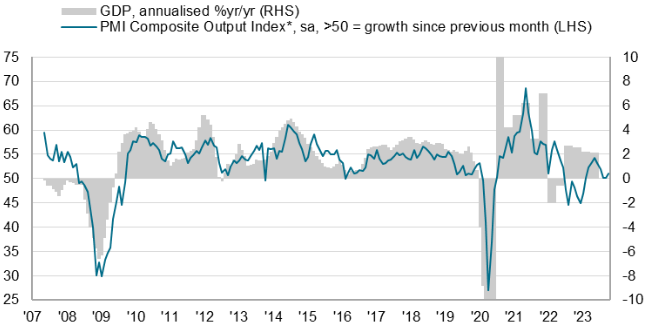
S&P Global Flash US PMI vs gross domestic product (GDP)



Sources: S&P Global PMI, Bureau of Economic Analysis via S&P Global Market Intelligence.
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PMI™ by S&P Global

Notes to editors

Final October data are published on 1 November for manufacturing and 3 November 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*[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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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.

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