

MARKET SENSITIVE INFORMATION

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S&P Global Flash US Composite PMI[®]

Solid output growth belies widening sector health divergences, selling prices rise at slower rate

Key findings:

Flash US PMI Composite Output Index⁽¹⁾ at 54.1 (July: 54.3). 4-month low.

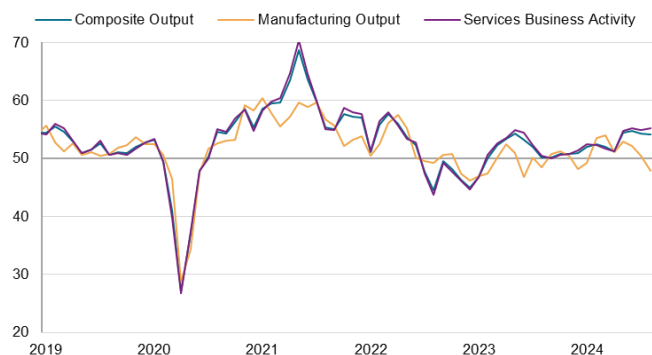
Flash US Services Business Activity Index⁽²⁾ at 55.2 (July: 55.0). 2-month high.

Flash US Manufacturing Output Index⁽⁴⁾ at 47.8 (July: 50.5). 14-month low.

Flash US Manufacturing PMI⁽³⁾ at 48.0 (July: 49.6). 8-month low.

Data were collected 12-21 August 2024.

S&P Global Flash US PMI



Data compiled July 23, 2024. Index, sa, >50 = growth since previous month.
Source: S&P Global PMI.
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Overview

US business activity growth remained robust in August, according to flash PMI survey data from S&P Global, signalling a sustained economic expansion over the third quarter so far. Growth disparities widened further, however, with the service sector expanding at a solid and increased rate while manufacturing output declined at the fastest rate for 14 months.

Employment meanwhile fell as gloomier prospects in manufacturing led to a near-stalling of hiring there, while service sector payroll numbers fell amid hiring difficulties.

Brighter news on inflation, with prices charged for goods and services registering the smallest rise since June 2020 barring only the recent dip seen in January, was countered

by a stubbornly elevated rate of input cost growth by historical standards.

Output and demand

The headline S&P Global Flash US PMI Composite Output Index edged down from 54.3 in July to a four-month low of 54.1 in August. Output has now risen continually over the past 19 months. Although the pace of expansion slowed slightly in August, it remained among the highest seen over the past two years.

However, growth has become increasingly uneven. While service sector activity grew at a solid and increased rate in August, the rate of growth falling just shy of June's 26-month high, manufacturing output fell for the first time since January. The factory output decline was the steepest recorded since June 2023.

Sector variances also widened in terms of order books. Inflows of new work rose at a slightly increased rate in August, driven by stronger demand for services. Inflows of new business in the service sector showed the second-largest rise recorded over the past 14 months. In contrast, inflows of new orders into factories fell for a second successive month, dropping at the sharpest rate since December.

Both sectors nevertheless recorded falling volumes of new export orders. Although the drop in services exports was only very modest, the decline in manufacturing was the largest for 12 months.

Future sentiment

Optimism about output in the year ahead lifted from July's three-month low, but remained below the survey's long-run average. An improvement in service sector confidence was offset by a gloomier mood in manufacturing. Where sentiment was buoyed, companies cited brighter prospects on the back of investments in new products and marketing, as well as improved business forecasts aligned with hopes for lower interest rates and lower inflation. However, optimism was checked by uncertainty regarding the Presidential Election and concerns about future demand, especially in the manufacturing sector.

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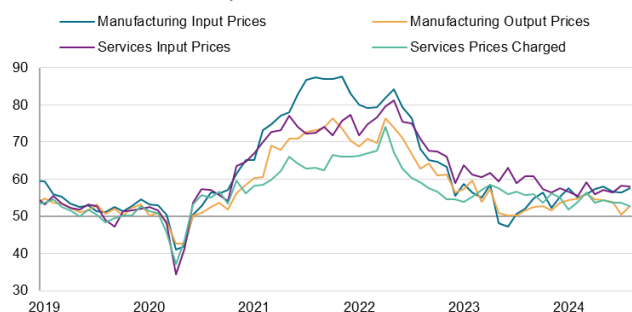
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Employment and capacity

Employment fell in August, dropping for the first time in three months. Net job losses have now been reported in three of the past five months, marking the softest spell of payroll growth since the first half of 2020. A renewed fall in service sector jobs after two months of job gains was accompanied by a near-stalling of employment growth in the manufacturing sector, which posted the smallest payroll gain since January. While falling employment in the service sector largely reflected difficulties hiring staff and replacing leavers, the cooling job market in manufacturing was driven by growing concerns about the business outlook.

Prices

S&P Global Flash US PMI price indices



Data compiled July 23, 2024. Index, sa, >50 = inflation since previous month
Source: S&P Global PMI.
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Average prices charged for goods and services rose at the slowest rate since June 2020 barring only the recent dip seen in January. The rate of inflation is now only marginally above the average recorded in the decade prior to the pandemic.

Although selling price inflation ticked higher in manufacturing, July's reading had been the lowest for a year and the latest reading was only modestly above the pre-pandemic average. Selling price inflation meanwhile cooled in the service sector to the second-lowest since May 2020 to a level only marginally above the pre-pandemic average.

The slower rise in charges occurred despite sustained upward pressure on input prices. Average costs across manufacturing and services rose at an unchanged rate in August, matching July's four-month high.

Input price inflation consequently remained elevated by historical standards, most notably in the service sector. Although the latter cooled slightly from July's four-month high, the rate of input cost inflation accelerated in manufacturing to the highest since May.

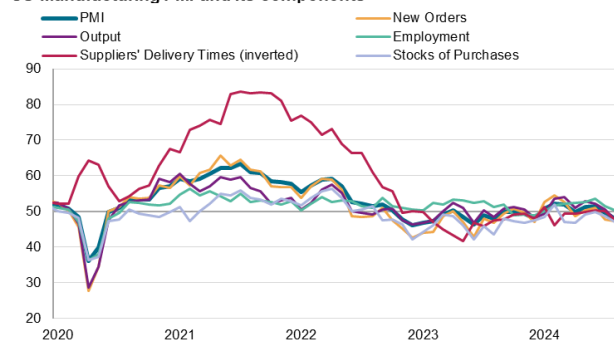
Firms cited higher staff costs as a key cause of raised prices alongside higher raw material prices and increased shipping rates.

Manufacturing PMI

The S&P Global Flash US Manufacturing PMI fell from 49.6 in July to 48.0 in August, signaling a deterioration in business conditions within the goods-producing sector for a second successive month and the steepest rate of deterioration since December.

All five components of the PMI weakened in August. Increased rates of decline for new orders and inventories were accompanied by the first fall in factory production for seven months. Employment growth meanwhile slowed to near-stagnation. Suppliers' delivery times also shortened to the greatest extent since February, in a sign of suppliers being less busy amid weaker demand for raw materials: input buying by factories fell at the sharpest rate for eight months. However, inventories of finished goods rose markedly for the third time in the past four months, the recent accumulation on unfinished inventory having been amongst the largest recorded in the history of the survey, often reflecting weaker than expected sales.

US Manufacturing PMI and its components



Data compiled July 23, 2024. Index, sa, >50 = improvement since previous month.
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 solid growth picture in August points to robust GDP growth in excess of 2% annualized in the third quarter, which should help allay near-term recession fears. Similarly, the fall in selling price inflation to a level close to the pre-pandemic average signals a 'normalization' of inflation and adds to the case for lower interest rates.

"This 'soft-landing' scenario looks less convincing, however, when you scratch beneath the surface of the headline numbers. Growth has become increasingly dependent on the service sector as manufacturing, which often leads the economic cycle, has fallen into decline. The manufacturing sector's forward-looking orders-to-inventory ratio has fallen to one of the lowest levels since the global financial crisis.

"At the same time, service sector growth is constrained by

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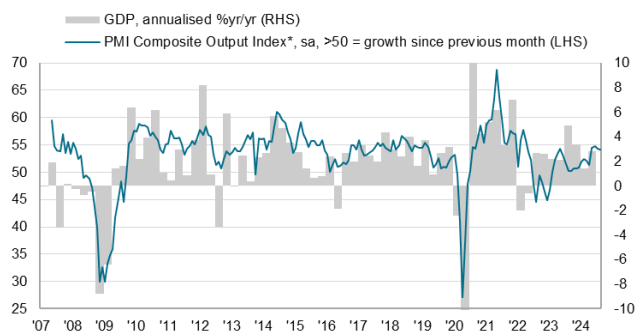
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hiring difficulties, which continue to push up pay rates and means overall input cost inflation remains elevated by historical standards.

“The policy picture is therefore complicated, and hence it’s easy to see why policymakers are taking a cautious approach to cutting interest rates. However, on balance

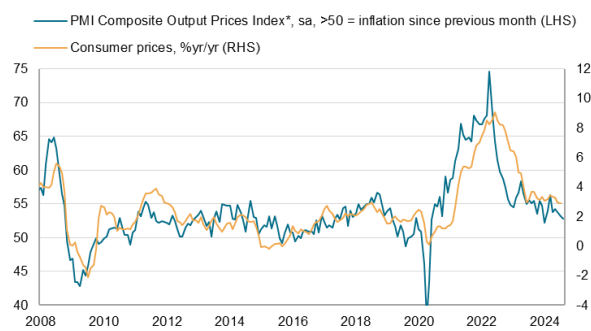
the key takeaways from the survey are that inflation is continuing to slowly return to normal levels and that the economy is at risk of slowing amid imbalances.”

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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S&P Global Flash US PMI vs inflation



Data compiled June 21, 2024. *PMI Manufacturing Output Prices Index May '07- Sep '09
Sources: S&P Global PMI, Bureau of Economic Analysis via S&P Global Market Intelligence.
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Contact

S&P Global Market Intelligence

Chris Williamson
Chief Business Economist
S&P Global Market Intelligence
Telephone +44-779-5555-061
Email: chris.williamson@spglobal.com

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

Notes to editors

Final August data are published on 3 September for manufacturing and 5 September 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> ²	0.0	0.3
Services Business Activity Index ²	0.1	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@spglobal.com.

Notes

- 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?"

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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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