

S&P Global Flash US PMI[®]

Output growth ends 2024 on 33-month high amid service sector surge, but manufacturers report falling output and higher prices

Key findings, December:

Flash US PMI Composite Output Index⁽¹⁾: 56.6 (Nov: 54.9). 33-month high.

Flash US Services PMI Business Activity Index⁽²⁾: 58.5 (Nov: 56.1). 38-month high.

Flash US Manufacturing Output Index⁽³⁾: 46.0 (Nov: 47.9). 55-month low.

Flash US Manufacturing PMI⁽⁴⁾: 48.3 (Nov: 49.7). 3-month low.

Data were collected 05-13 December

Flash US PMI[®] survey data signaled a further acceleration of economic growth in December, with output rising at the steepest rate for 33 months. Firms' expectations of output in the coming year also lifted higher, hitting a two-and-a-half year high, reflecting growing optimism about business conditions under the incoming Trump administration. Employment also edged higher, up for the first time in five months, as firms expanded workforce numbers amid the brighter outlook.

However, growth remained heavily skewed toward the service sector, where an acceleration of growth contrasted with a steepening decline in manufacturing. The goods-producing sector also reported a slight pull-back in future expectations, in part reflecting worries over the impact of tariffs and inflation.

Raw material cost growth spiked sharply higher in the manufacturing sector, though a further cooling of cost growth in the service sector helped to lessen overall inflationary pressures in terms of both overall costs and selling prices.

Output and demand

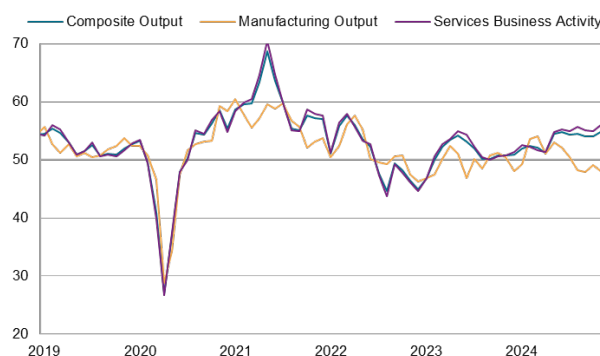
The headline S&P Global Flash US PMI Composite Output Index rose from 54.9 in November to 56.6 in December, signaling the fastest expansion of business activity since March 2022. The PMI has now recorded continual growth since February 2023, with especially robust growth recorded over the second half of 2024. Activity levels were expanded at an increased rate in December in response to strengthening

demand. New orders rose at the sharpest rate since April 2022.

Growth was once again uneven across the economy, however, with a further surge in service sector activity – which rose at a rate not seen since October 2021 – contrasting with the steepest fall in manufacturing production since May 2020.

If pandemic months are excluded, the latest service sector expansion was the strongest recorded since March 2015, while the latest manufacturing downturn was the sharpest since the global financial crisis in August 2009.

S&P Global Flash US PMI



Data compiled December 16, 2024. Index, sa, >50 = growth since previous month.
Source: S&P Global PMI.
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A similar sector divergence was seen in demand conditions. New orders for services rose at a rate not witnessed since March 2022, but new orders for goods placed at factories fell sharply and for a sixth successive month.

Future sentiment

The survey's forward-looking sentiment indicators suggest that growth could become more balanced in the coming year. Optimism about output in the next 12 months improved further in December from the pre-election low recorded in September, striking the highest since May 2022. Service sector confidence was the highest in just over two-and-a-half years and, although cooling slightly, manufacturing confidence remained among the highest seen over the past year.

A clearing of uncertainty following the Presidential Election has been accompanied by improved prospects for the year

ahead, according to anecdotal evidence provided by survey respondents, linked to expectations of a more business friendly administration under the Trump Presidency, especially in terms of looser regulation and heightened protectionism. However, some companies, notably in manufacturing, have expressed concern over the weak demand environment and the potential for tariffs to add to inflation.

Employment

The improved outlook helped drive a return to hiring. Employment edged higher in December, up for the first time in five months, reflecting a second successive monthly rise in manufacturing jobs and the first increase in service sector employment since July. The increase in both sectors was only modest, however, reflecting ongoing caution with respect to payroll numbers as many firms sought to keep costs as low as possible, while other firms often reported difficulties finding or replacing staff.

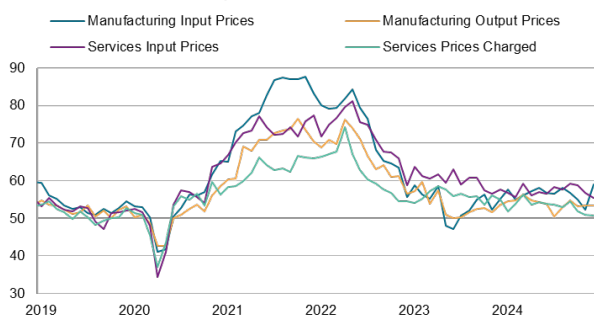
Prices

Inflationary pressures meanwhile cooled further at the headline level in December, albeit with a jump in input cost inflation in manufacturing. Average prices charged for goods and services rose only very modestly, increasing at the slowest rate since prices began rising in June 2020.

The latest easing pushed the rate of inflation further below the pre-pandemic long-run average, with an especially low rate of inflation again evident in the services economy, where charges rose only marginally and at the slowest rate since May 2020.

Manufacturing selling prices rose at a rate unchanged on November's pace, thereby running slightly above the pre-pandemic long-run average.

S&P Global Flash US PMI price indices



Data compiled December 16, 2024. Index, sa, >50 = inflation since previous month
Source: S&P Global PMI.
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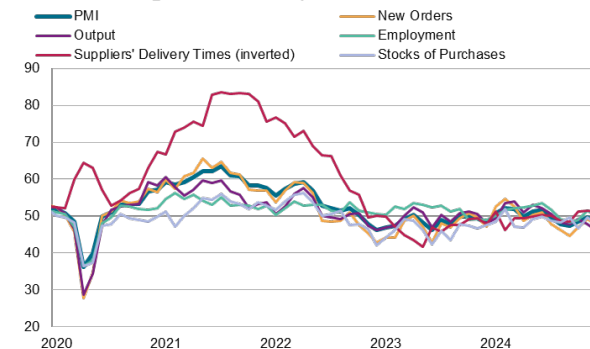
Input cost inflation also slowed when measured across both goods and services, dipping to the lowest for ten months. However, slowing in cost growth in the services economy to a four-and-a-half year low contrasted with a spike in input cost inflation in the goods-producing sector to the highest for just over two years. While lower cost growth in services was in

part due to weaker wage growth, higher materials prices in manufacturing were commonly linked to supplier-related price hikes and increased shipping rates.

Manufacturing PMI

The S&P Global Flash US Manufacturing PMI fell from 49.7 in November to 48.3 in December, signaling a deterioration in business conditions within the goods-producing sector for a sixth successive month with the rate of deterioration accelerating to the fastest since September.

US Manufacturing PMI and its components



Data compiled December 16, 2024. Index, sa, >50 = improvement since previous month.
Source: S&P Global PMI.
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Production fell at the fastest pace since May 2020, with new orders and inventories also falling at increased rates. While employment rose, the increase was only marginal and weaker than November's gain. Suppliers' delivery times meanwhile lengthened, adding support to the PMI (longer lead-times often indicate busier supply chains), though the degree of lengthening moderated slightly compared to November. However, the lengthening of lead times was in part due to negative factors, including a lack of staff.

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

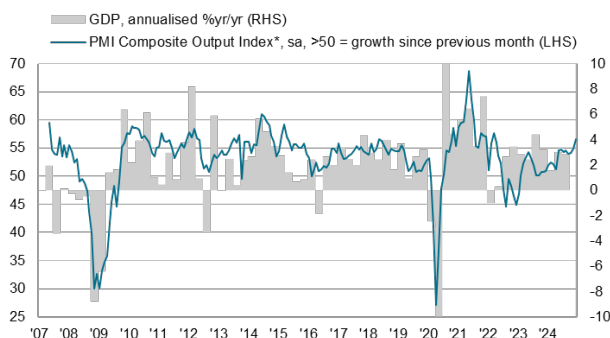
"Business is booming in the US services economy, where output is growing at the sharpest rate since the reopening of the economy from COVID lockdowns in 2021. The service sector expansion is helping drive overall growth in the economy to its fastest for nearly three years, consistent with GDP rising at an annualized rate of just over 3% in December.

"It's a different picture in manufacturing, however, where output is falling sharply and at an increased rate, in part due to weak export demand.

"Encouragingly, confidence in the 12-month outlook has lifted to a two-and-a-half year high, suggesting the robust economic upturn will persist into the new year and could also become more broad-based by sector. However, some of the high spirits seen after the election in the manufacturing sector have been checked over concerns surrounding tariffs and the potential impact on inflation resulting from the higher cost of imported materials. December saw raw material prices spike sharply higher amid supplier-led price rises and higher shipping costs,

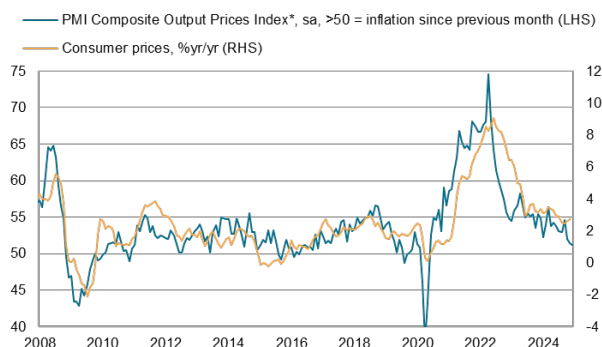
in a reflection of busier supply chains in advance of threatened protectionism in the new year.”

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. © 2024 S&P Global. *PMI Manufacturing Output Index May '07- Sep '09.

S&P Global Flash US PMI vs inflation



Data compiled December 16, 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. © 2024 S&P Global.

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Notes to editors

Final December data are published on 2 January for manufacturing and 6 January for services and composite indicators.

The S&P Global Flash US PMI® is compiled by S&P Global from responses to questionnaires sent to survey panels of around 650 manufacturers and 500 service providers. The panels are each stratified by detailed sector and company workforce size, based on contributions to GDP. The services sector is defined as consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. The following variables are monitored:

Manufacturing: Output, new orders, new export orders, backlogs of work, stocks of finished goods, employment, quantity of purchases, suppliers' delivery times, stocks of purchases, input prices, output prices, future output.

Services: Business activity, new business, new export business, outstanding business, employment, input prices, prices charged, future activity.

A diffusion index is calculated for each manufacturing and services variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

Composite indices for are calculated by weighting together comparable manufacturing and services indices using official manufacturing and services annual value added.

The headline figure is the Composite Output Index. This is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. It may be referred to as the 'Composite PMI' but is not comparable with the headline Manufacturing PMI, which is a weighted average of five manufacturing indices (including the Manufacturing Output Index).

The headline manufacturing figure is the Manufacturing Purchasing Managers' Index™ (PMI®). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

The headline services figure is the Services Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline Manufacturing PMI.

Flash data are calculated from around 80-90% of total responses and are intended to provide an accurate early indication of the final data. Since flash data were first processed, the average differences between final and flash index values for the headline indices are:

Composite Output Index = 0.1 (absolute difference 0.4)

Services Business Activity Index = 0.1 (absolute difference 0.4)

Manufacturing PMI = 0.0 (absolute difference 0.3)

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

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 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?"
4. 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.

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PMI by S&P Global

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