News Release

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

US economic upturn eases in April amid survey record inflation pressures

Key findings:

Flash US PMI Composite Output Index(1) at 55.1 (Mar: 57.7). 3-month low.

Flash US Services Business Activity Index(2) at 54.7 (Mar: 58.0). 3-month low.

Flash US Manufacturing Output Index(4) at 57.4 (Mar: 56.1). 9-month high.

Flash US Manufacturing PMI(3) at 59.7 (Mar: 58.8). 7-month high.

Data were collected 11-21 April

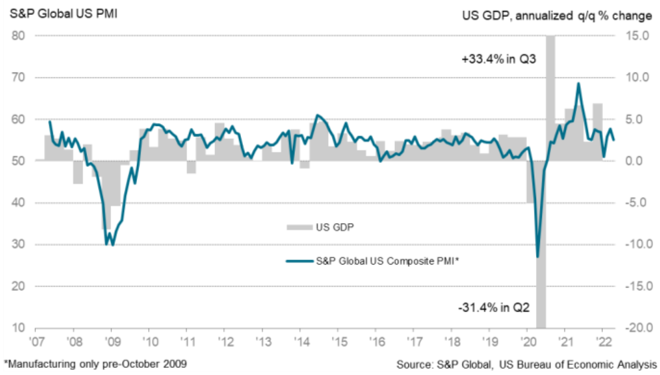
Latest 'flash' PMI™ data from S&P Global signalled a strong, but slower increase in business activity across the US economy in April. Although still faster than January's Omicron-induced slowdown, overall growth was dampened by a softer rise in service sector output following pressure on customer spending as prices continued to increase markedly. Manufacturers, on the other hand, indicated a stronger expansion in production on the back of rising demand.

The headline **Flash US PMI Composite Output Index** registered 55.1 in April, down from 57.7 in March. The latest data indicated a strong rise in private sector output, but one that was subdued by the impact of inflation on customer spending. Although service providers recorded a softer upturn in activity, manufacturing firms noted the quickest uptick in production since last July.

Private sector businesses signalled a sharp increase in **new orders** at the start of the second quarter, though the rate of expansion in new business eased from March's nine-month high. Service providers recorded the softest rise in new sales for three months as a series-record increase in selling prices dampened customer demand. Goods producers, however, indicated a marked upturn in new work that was the fastest for seven months. Nonetheless, **new export orders** expanded sharply and at the steepest pace since the series began in September 2014. New business from abroad was reportedly boosted by stronger foreign client demand as key export markets continued to reopen.

April data indicated a series-record rise in **input costs** across the private sector as raw materials, fuel,

S&P Global Flash US PMI Composite Output Index



transportation and wage bills ticked higher. Service sector firms registered the fastest rise in cost burdens since October 2009, when data collection began, while goods producers recorded the sharpest uptick in expenses since November 2021's record rise.

In an effort to pass through higher cost burdens to clients, businesses signalled the steepest rise in **output charges** on record. Manufacturers and service providers alike reported series-record increases amid soaring input prices. Some companies also stated that surcharges were added to selling prices to account for more frequent upticks in operating expenses.

Employment across the private sector continued to increase strongly in April, albeit at a slightly softer pace than in March. The rate of job creation was the second-fastest since May 2021, as manufacturers registered a sharper rise in workforce numbers. Companies noted that greater staffing numbers were linked to increased business requirements, however, some stated that hiring remained a challenge.

Difficulties retaining and acquiring new staff were often linked to a further rise in **backlogs of work**. The rate of growth in outstanding business eased from March's record high, but was still the second-sharpest since data collection began in October 2009. Material shortages also hampered firms' ability to clear work outstanding, with suppliers' delivery times lengthening in April at an increased rate.

Firms also indicated a dip in **business confidence** at the start of the second quarter. Although remaining optimistic of a rise in output over the coming year, the level of

PMI™ by S&P Global

positive sentiment slipped to a six-month low. Softer expectations were broad-based, as firms highlighted concerns regarding spiralling costs and evidence of less robust demand conditions, due in part to higher selling prices.

S&P Global Flash US Services PMI™

At 54.7 in April, down from 58.0 in March, the **S&P Global Flash US Services Business Activity Index** indicated a solid rise in service sector output at the start of the second quarter of 2022. That said, the rate of activity growth eased to the slowest since January's Omicron-induced knock to demand.

Demand conditions remained buoyant, however, as new orders rose sharply. The uptick in new sales was linked to the loosening of COVID-19 restrictions, especially for client-facing businesses. That said, the pace of expansion in new business also eased to a three-month low amid reports of labor and supply shortages and inflation dampening customer willingness to spend. The easing of travel restrictions allowed new export orders to tick higher again, as the rate of growth reached the fastest since data collection began in September 2014.

Meanwhile, cost burdens continued to soar, as the rate of input price inflation accelerated in the service sector to a series-record pace. Higher wage and input bills stoked the increase in costs. In response, service providers hiked their selling prices at the steepest rate on record in an effort to pass-through greater cost burdens.

Employment rose strongly as firms sought to boost workforce numbers and clear backlogs of work amid greater business requirements. The rise in outstanding business was the second-fastest on record, as some services companies continued to highlight challenges fulfilling hiring requirements.

Concerns regarding inflation and its impact on customer demand weighed on business confidence in April, which dipped in the service sector to the lowest level since October 2021. Nonetheless, services firms were broadly optimistic of a rise in output over the coming year.

S&P Global Flash US Manufacturing PMI™

The **S&P Global Flash US Manufacturing PMI** posted 59.7 in April, up from 58.8 in March, to signal a marked improvement in operating conditions across the manufacturing sector. Overall growth was the strongest for seven months.

Contributing to the overall upturn were faster rises in output and new orders during April. Despite another marked deterioration in vendor performance, firms were able to increase production amid stronger client demand and the acquisition of new customers. Total new sales growth was supported by a steep increase in foreign client demand, as new export orders rose at the fastest pace in almost a year.

Inflationary pressures remained marked across the goods-producing sector in April. The rate of increase in costs quickened again to the sharpest since last November's series record amid reports of hikes in fuel, material and transportation prices. Frequent increases in costs resulted in the sharpest rise in output charges on record as firms sought to pass-through greater input prices to clients.

Although firms stepped up their input buying and efforts to build safety stocks, backlogs of work rose steeply. Manufacturers also expanded their workforce numbers, and at the quickest pace since July 2021. Nonetheless, many firms noted that hiring needed to increase further to satisfy incoming new work.

Finally, output expectations remained positive in April, with factories anticipating greater output over the next year due to hopes of supply chain stability and greater capacity. That said, the degree of confidence in the manufacturing sector slipped to a six-month low following greater geopolitical uncertainty and inflation concerns.

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

"Although still indicative of annualised GDP growth of approximately 3%, the April PMI surveys point to the upturn losing some momentum compared to the strong rebound seen in March, when services activity in particular had been buoyed by loosened pandemic restrictions in the US and abroad.

"Many businesses continue to report a tailwind of pent up demand from the pandemic, but companies are also facing mounting challenges from rising inflation and the cost of living squeeze, as well as persistent supply chain delays and labor constraints.

"These headwinds, plus increased concerns over the economic outlook and tightening monetary policy, meant business confidence about the outlook slipped sharply lower in April. However, with the overall pace of economic growth and hiring remaining relatively solid, for now the focus from a policy perspective is likely to remain firmly on the need to rein in the record high inflationary pressures signalled by the survey."

S&P Global Flash US Manufacturing PMI

Source: S&P Global

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Note to Editors

Final April data are published on 2 May for manufacturing and 4 May 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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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.

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 .

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