News Release

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

US economy slows sharply in June amid renewed downturn in demand, but inflationary pressures cool

Key findings:

Flash US PMI Composite Output Index(1) at 51.2 (May: 53.6). 5-month low.

Flash US Services Business Activity Index(2) at 51.6 (May: 53.4). 5-month low.

Flash US Manufacturing Output Index(4) at 49.6 (May: 55.2). 24-month low.

Flash US Manufacturing PMI(3) at 52.4 (May: 57.0). 23-month low.

Data were collected 13-22 June

Latest 'flash' PMI™ data from S&P Global signalled the weakest upturn in US private sector output since January's Omicron-induced slowdown in June. The rise in activity was the second-softest since July 2020, with slower service sector output growth accompanied by the first contraction in manufacturing production in two years.

The headline **Flash US PMI Composite Output Index** registered 51.2 in June, down from 53.6 in May. The decline in the index reading signalled further easing in the rate of expansion in business activity to a pace notably slower than March's recent peak. Although service providers continued to indicate a rise in output, it was the weakest increase for five months.

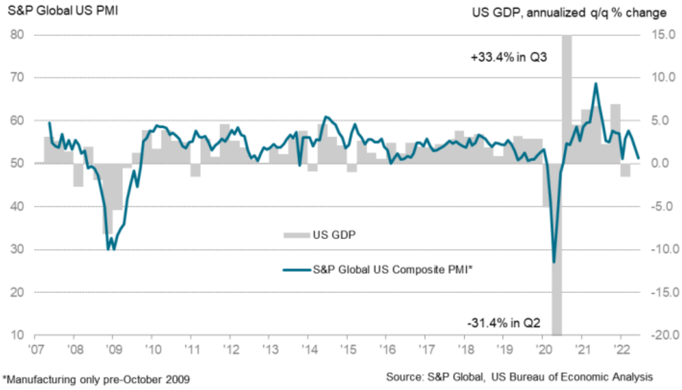
Manufacturers fared worse, with factory production slipping into decline as the respective seasonally adjusted index fell to a degree only exceeded twice in the 15-year history of the survey, at the height of the initial pandemic lockdowns in 2020 and the height of the global financial crisis in 2008.

Weaker demand conditions, often linked to the rising cost of living and falling confidence, led to the first contraction in **new orders** since July 2020. Decreases in new sales for goods and services in June were the first recorded since May and July 2020, respectively.

Similarly, **new export orders** contracted at the steepest pace since June 2020 as foreign customers paused or reduced new order placements due to inflation and supply chain disruptions.

Inflationary pressures remained marked in June, as **input costs** and **output charges** rose substantially again. Although the pace of input price inflation eased to the slowest for five months, it was sharper than any seen

S&P Global Flash US PMI Composite Output Index



*Manufacturing only pre-October 2009

Source: S&P Global, US Bureau of Economic Analysis

before April 2021. Alongside food, fuel, transportation and material price hikes, firms often mentioned that wages had increased to entice workers to stay, which added pressure to operating expenses.

At the same time, output charges rose at the softest pace since March 2021. Firms continued to highlight the pass-through of higher cost burdens to clients, but increasingly, firms stated that offers or discounts were being offered to encourage customer spending and ward off competitors.

Manufacturers and service providers alike registered slower increases in **employment** midway through 2022, as the rate of total job creation eased to the slowest since February. Despite ongoing reports of challenges hiring or retaining staff, weaker client demand and reduced pressure on capacity led to some firms not replacing leavers.

Backlogs of work across the private sector decreased for the first time in two years in June. The pace of decline in outstanding business was only marginal, but marked a stark turnaround from the sharp accumulation of pressure on capacity in May for goods producers and service providers alike. Declines in new orders reportedly allowed firms to work through backlogs of orders successfully.

Finally, **business confidence** slumped to one of the greatest extents seen since comparable data were available in 2012, down to the lowest since September 2020. Manufacturers and service providers were far less upbeat regarding the outlook for output over the coming

PMI™ by S&P Global

year than in May, principally amid inflationary concerns and the further impacts on customer spending as well as tightening financial conditions.

S&P Global Flash US Services PMI™

At 51.6 in June, down from 53.4 in May, the **S&P Global Flash US Services Business Activity Index** signalled another softening in the rate of output expansion at service providers. The pace of increase was the slowest since January's Omicron-induced slowdown and only modest overall.

Weaker growth in business activity was driven by a solid fall in new orders. Client demand dropped for the first time since July 2020, and at the steepest pace for over two years. Total new sales were also weighed down by the quickest decrease in new export orders since December 2020.

Average cost burdens increased at a marked pace in June, as supplier, material, fuel, transportation, and wage bills soared again. The rate of input price inflation was the softest for five months and eased notably from May, but was much quicker than the series average. Similarly, the pace of output charge inflation softened and was the slowest since March 2021. Although firms continued to pass-through hikes in costs to clients, some mentioned concessions were made to customers.

Service providers signalled a notable change in pressure on capacity during June, as backlogs of work fell for the first time in two years. As a result, the rate of job creation eased to the softest in four months.

Meanwhile, inflationary pressures, hikes in interest rates and weaker client demand all dampened service provider expectations for output over the coming year. Sentiment remained positive, but was at its lowest level since September 2020.

S&P Global Flash US Manufacturing PMI™

At 52.4 in June, down from 57.0 in May, the **S&P Global Flash US Manufacturing PMI** indicated a slower improvement in operating conditions across the goods-producing sector. The overall upturn was the weakest for almost two years as contractions in output and new orders weighed on the headline figure.

Declines in production and new sales were driven by weak client demand, as inflation, material shortages and delivery delays led some customers to pause or lower their purchases of goods. The falls were the first since the depths of the pandemic in mid-2020, and were accompanied by a renewed decrease in foreign client demand.

Average cost burdens continued to rise substantially and at a historically elevated pace in June. Hikes in vendor, material and fuel prices all spurred on inflation. Nonetheless, the rise in input prices was the slowest since April 2021. At the same time, efforts to entice customers to make purchases led to the softest rise in output charges since January. The rate of charge inflation was faster than in any period before May 2021, however.

Vendor performance deteriorated to the least marked extent since January 2021 in June. That said, weaker client demand led to a contraction in input buying and reduced efforts to stockpile materials and finished goods.

In line with a renewed fall in backlogs of work, manufacturers expanded their workforce numbers at the softest pace since February. Firms were able to work through their outstanding business as new orders declined.

Lastly, goods producers registered the lowest degree of confidence in the outlook for output over the coming year for 20 months in June. Despite hopes that demand will improve and investment increase, concerns regarding inflation, interest rates, supply chain disruption and the health of the wider economy weighed on expectations.

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

"The pace of US economic growth has slowed sharply in June, with deteriorating forward-looking indicators setting the scene for an economic contraction in the third quarter. The survey data are consistent with the economy expanding at an annualized rate of less than 1% in June, with the goods-producing sector already in decline and the vast service sector slowing sharply.

"Having enjoyed a mini-boom from consumers returning after the relaxation of pandemic restrictions, many services firms are now seeing households increasingly struggle with the rising cost of living, with producers of non-essential goods seeing a similar drop in orders.

"There has consequently been a remarkable drop in demand for goods and services during June compared to prior months.

"Businesses have become much more concerned about the outlook as a result of the rising cost of living and drop in demand, as well as the increasingly aggressive interest rate path outlined by the Federal Reserve and the concomitant deterioration in broader financial conditions. Business confidence is now at a level which would typically herald an economic downturn, adding to the risk of recession.

"A corollary of the drop in demand was less pressure on prices, with the survey's inflation gauges for firms' costs and their selling prices falling sharply in June to suggest that, although still elevated, price pressures have peaked."

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Note to Editors

Final June data are published on 1 July for manufacturing and 6 July 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. To learn more go to https://ihsmarkit.com/products/pmi.html .

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