

S&P Global Flash US PMI[®]

Output growth slows in January and price pressures rise, but employment jumps higher on sustained optimism

Key findings, January:

Flash US PMI Composite Output Index⁽¹⁾: 52.4 (Dec: 55.4). 9-month low.

Flash US Services PMI Business Activity Index⁽²⁾: 52.8 (Dec: 56.8). 9-month low.

Flash US Manufacturing Output Index⁽³⁾: 50.2 (Dec: 47.7). 6-month high.

Flash US Manufacturing PMI⁽⁴⁾: 50.1 (Dec: 49.4). 7-month high.

Data were collected 09-23 January

Flash US PMI[®] survey data signaled further growth of business activity in January, albeit with the rate of growth moderating from December's 32-month high to signal a more modest pace of expansion. A return to growth in the manufacturing sector for the first time in six months was accompanied by sustained, but slower, service sector growth.

Firms' expectations of output in the coming year meanwhile continued to run at a level not surpassed since May 2022, buoyed by optimism about the new government's policies, encouraging firms to take on staff at the steepest rate for two-and-a-half years.

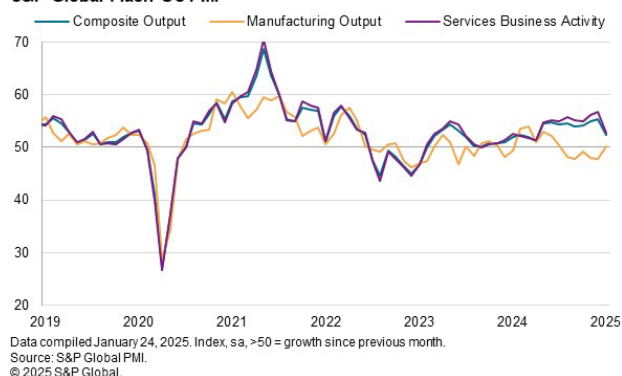
However, inflationary pressures intensified to a four-month high, with both input costs and selling prices rising at increased rates across both manufacturing and services.

Output and demand

The headline S&P Global US PMI Composite Output Index fell from 55.4 in December to a nine-month low of 52.4 in January, according to the preliminary 'flash' reading, which is based on approximately 85% of usual survey responses.

The slowdown was centered on the services economy, where output rose at the slowest rate since last April, albeit sustaining the sector's expansion into a twenty-fourth successive month. Manufacturing output meanwhile rose marginally, representing an improvement on the declines recorded over the previous five months.

S&P Global Flash US PMI



Changing activity levels reflected varying demand conditions. While inflows of new business into the service sector remained robust, the rate of increase waned to a three-month low amid the first fall in overseas (export) orders since last June. Especially adverse weather was reported as a dampener of activity in some companies. Manufacturers meanwhile reported the first, albeit very modest, rise in new orders for seven months, reflecting improved domestic demand and a softening rate of loss of export orders.

Future sentiment

Optimism about the coming year continued to run at an elevated level. Measured across goods and services, firms' expectations of their output in the next 12 months was unchanged in December, thereby remaining the joint-highest since May 2022.

Service sector confidence lost some of the shine from December's one-and-a-half year high, but remained the second-highest recorded over the past year. Manufacturing confidence meanwhile surged higher, reaching the highest since March 2022 after posting the largest monthly improvement since November 2020.

Uncertainty in the lead up to the Presidential Election has been replaced with optimism about the future, notably among manufacturers, according to anecdotal evidence provided by survey respondents. Looser regulation, lower taxes and heightened protectionism were all widely cited, alongside a broader sense of improving economic conditions in the year

ahead under the new administration. However, some companies express concern over the potential for policies such as tariffs to disrupt supply chains and impact sales, or stoke inflation. Others cite concerns over the strong dollar, high prices and the possibility of policymakers taking a more hawkish stance toward interest rates than previously anticipated.

Employment

Optimism about the year ahead was matched by a jump in hiring. Employment rose in January at the fastest rate for two-and-a-half years, up for a second successive month after four months of job shedding. The improvement was led by a surge in service sector hiring, where jobs were added at the sharpest rate for 30 months, though manufacturing payroll growth also edged up to a six-month high. The latter remained modest, however, reflecting ongoing cost concerns at producers amid low sales. Firms more broadly also continued to report ongoing issues with poor staff availability.

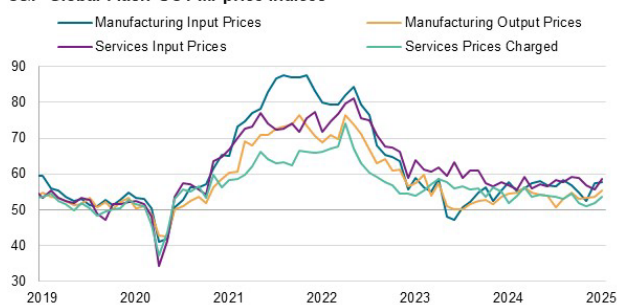
Prices

Inflationary pressures meanwhile intensified in January. Both input costs and average selling prices rose at the fastest rates for four months, the rate of inflation of the latter now having increased for two successive months.

Factory input prices rose at the steepest rate since last August, generally linked to supplier-driven raw material price increases. Growth of service providers' costs also revived after having cooled to a ten-month low in December, rising at the fastest rate for three months amid increased staff costs and rising material prices.

Higher costs were passed on to customers, with average prices charged for services rising at the fastest rate since last September. An even larger rise was reported for goods, the rate of inflation of which hit a ten-month high.

S&P Global Flash US PMI price indices

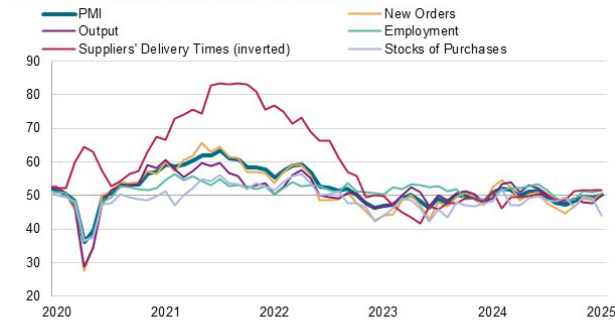


Data compiled January 24, 2025. Index, sa, >50 = inflation since previous month
Source: S&P Global PMI.
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Manufacturing PMI

The S&P Global Flash US Manufacturing PMI rose from 49.4 in December to 50.1 in January, signaling a marginal improvement in business conditions within the goods-producing sector and a contrast to the deteriorations seen over the prior sixth months.

US Manufacturing PMI and its components



Data compiled January 24, 2025. Index, sa, >50 = improvement since previous month
Source: S&P Global PMI.
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Factory production rose marginally, increasing for the first time in six months, with new orders also returning to modest growth after six months of decline. Employment increased for a third successive month, the rate of job creation the highest since July. Suppliers' delivery times meanwhile lengthened for a fourth straight month, adding support to the PMI (longer lead-times often indicate busier supply chains), albeit slightly less so than in December. However, inventories fell at the steepest rate for 17 months, acting as a drag on the PMI, though this in part reflected higher than anticipated use of inputs in production rather than cost-focused destocking.

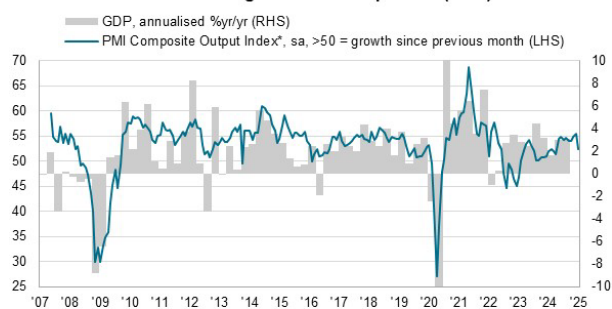
Commenting on the flash PMI data, Chris Williamson, Chief Business Economist at S&P Global Market Intelligence said:

"US businesses are starting 2025 in an upbeat mood on hopes that the new administration will help drive stronger economic growth. Rising optimism is most notable in the manufacturing sector, where expectations of growth over the coming year have surged higher as factories await support from the new policies of the Trump administration, though service providers are also entering 2025 in good spirits."

"Although output growth slowed slightly in January, sustained confidence suggests that this slowdown might be short-lived. Especially encouraging is the upturn in hiring that has been fueled by the improved business outlook, with jobs being created at a rate not seen for two-and-a-half years."

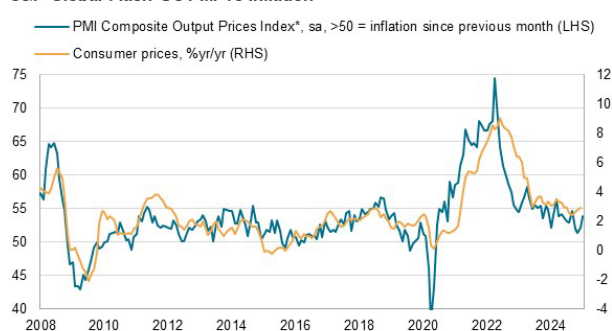
"However, rising price pressures are a concern, with companies reporting supplier-driven price hikes as well as wage growth amid poor staff availability. Higher input cost and selling price inflation was broad-based across goods and services and, if sustained, could add to worries that a combination of robust economic growth, a strong job market, and higher inflation could encourage a more hawkish policy approach from the Fed."

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. © 2025 S&P Global. *PMI Manufacturing Output Index May '07-Sep '09.

S&P Global Flash US PMI vs inflation



Data compiled January, 2025. *PMI Manufacturing Output Prices Index May '07-Sep '09. Sources: S&P Global PMI, Bureau of Economic Analysis via S&P Global Market Intelligence. © 2025 S&P Global.

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Notes to editors

Final January data are published on 3 February for manufacturing and 5 February 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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