

MARKET SENSITIVE INFORMATION

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S&P Global Flash US Composite PMI[®]

US business activity continues to rise amid marked upturn in manufacturing production

Key findings:

Flash US PMI Composite Output Index⁽¹⁾ at 52.2 (February: 52.5). 2-month low.

Flash US Services Business Activity Index⁽²⁾ at 51.7 (February: 52.3). 3-month low.

Flash US Manufacturing Output Index⁽⁴⁾ at 54.9 (February: 53.5). 22-month high.

Flash US Manufacturing PMI⁽³⁾ at 52.5 (February: 52.2). 21-month high.

Data were collected 12-20 March 2024.

S&P Global Flash US PMI

Index, sa, >50 = growth since previous month



Source: S&P Global PMI.
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Overview

Business activity in the US continued to increase solidly at the end of the first quarter of the year, although growth ticked down from that seen in the previous survey period. The softer overall expansion reflected a weaker rise in services activity, while manufacturing production increased at the fastest pace in almost two years.

A similar picture was seen with regards to demand, with new orders rising at a slightly softer pace in March. The rate of job creation edged up to the strongest in the year-to-date, however, amid the most optimistic outlook for business activity since May 2022.

Meanwhile, inflationary pressures showed signs of picking up. Input costs rose at the fastest pace in six months, while firms increased their selling prices to the largest extent since April last year.

Output and demand

The headline S&P Global Flash US PMI Composite Output Index posted 52.2 in March, down slightly from the reading of 52.5 in February but still signalling a solid monthly improvement in business activity at US companies. Output has now risen in each of the past 14 months.

The overall slowdown in the pace of output growth reflected a loss of momentum in the service sector, where activity rose at the weakest pace in three months. While there were some reports of demand improving, anecdotal evidence also suggested that price pressures had restricted the ability of customers to commit to new projects. As a result, the rate of new business growth in the service sector also softened.

More positive was a sharp and accelerated expansion of manufacturing output in March, with the rate of growth the fastest since May 2022 amid a further solid rise in new orders.

Overall, new orders increased at a slower pace than in February. New business from abroad was up marginally as a rise in manufacturing contrasted with a drop in services.

Business confidence jumped to a near two-year high at the end of the first quarter amid signs of a pick-up in the broader US economy. Some service providers also linked confidence to planned marketing activity. While both sectors posted improvements in optimism since February, the jump in confidence was more marked in the service sector than in manufacturing.

Employment

While rates of expansion in output and new orders softened in March, this was not the case with regards to employment. The rate of job creation ticked higher and was the fastest in 2024 so far. Staffing levels rose across both sectors, with jobs growth in manufacturing hitting an eight-month high.

Capacity improvements and a slower rise in new business helped firms to deplete their backlogs of work

PMI[™]

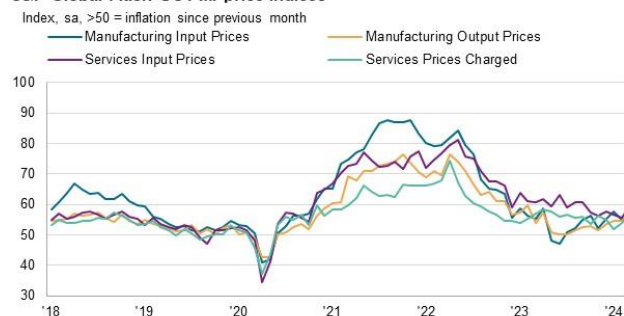
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for the second month running. The latest fall in outstanding business was modest, but faster than in February as both monitored sectors saw backlogs depleted.

Prices

S&P Global Flash US PMI price indices



Inflationary pressures picked up in March. The rate of input cost inflation quickened to a six-month high amid faster increases across both monitored sectors. Service providers indicated that higher operating expenses generally reflected increasing wages, while rising oil and gasoline costs were often mentioned by manufacturers.

In turn, companies in the US raised their own selling prices at a faster pace. In fact, the rate of inflation was the sharpest in just under a year and stronger than the series average. Respective rates of output price inflation accelerated sharply across both manufacturing and services, quickening to 13- and eight-month highs as companies passed through higher input costs to their customers.

Manufacturing PMI

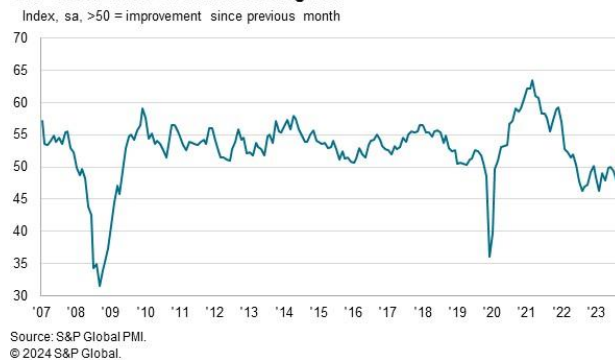
The S&P Global Flash US Manufacturing PMI rose to a 21-month high of 52.5 in March from 52.2 in February, pointing to a solid improvement in the health of the sector. Business conditions have now strengthened in three successive months, with the latest improvement helped by sharper expansions in output and employment.

Suppliers' delivery times continued to recover from the disruption to supply chains seen at the start of the year, shortening for the second month running in March. That said, the latest improvement in vendor performance was only slight and less marked than in February.

Despite the marked pick-up in manufacturing production, firms scaled back their purchasing activity in March following a marginal rise in February. Anecdotal evidence suggested that inventories had been built to a level sufficient to support current workloads, leading to efforts

to draw down stocks. In fact, stocks of both purchases and finished goods were reduced following increases in the previous survey period. The fall in stocks of purchases was the sharpest since last November.

S&P Global Flash US Manufacturing PMI



Comment

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

“Further expansions of both manufacturing and service sector output in March helped close off the US economy’s strongest quarter since the second quarter of last year. The survey data point to another quarter of robust GDP growth accompanied by sustained hiring as companies continue to report new order growth.

“The brightest news came from the manufacturing sector, where production is now growing at the fastest rate since May 2022. Production gains are linked to improving demand for goods both at home and abroad, driving a further upturn in business confidence in the outlook.

“Service providers meanwhile reported a slower pace of expansion than factories, with the rate of increase also moderating slightly compared to February, linked in part to ongoing cost of living pressures. However, service providers have also become increasingly optimistic about the outlook, with confidence striking a 22-month high in March to suggest the broad-based economic expansion seen in March will persist into the summer.

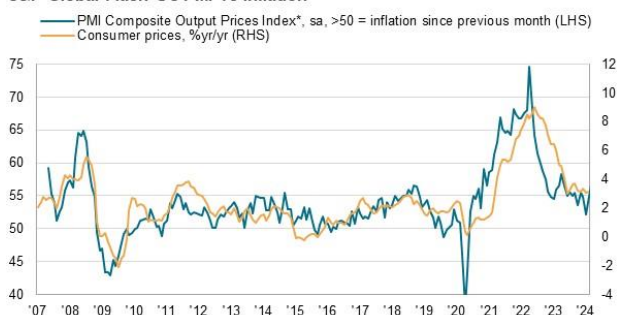
“A steepening rise in costs, combined with strengthened pricing power amid the recent upturn in demand, meant inflationary pressures gathered pace again in March. Costs have increased on the back of further wage growth and rising fuel prices, pushing overall selling price inflation for goods and services up to its highest for nearly a year. The steep jump in prices from the recent low seen in January hints at unwelcome upward pressure on consumer prices in the coming months.”

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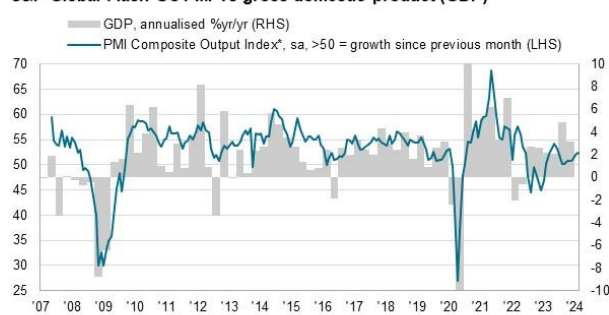
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S&P Global Flash US PMI vs inflation



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 gross domestic product (GDP)



Sources: S&P Global PMI, Bureau of Economic Analysis via S&P Global Market Intelligence.
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Notes to editors

Final March data are published on 1 April for manufacturing and 3 April 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> ³	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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