

# S&P Global Flash US PMI®

## Output growth falters and payrolls decline in February, as optimism slumps and costs rise

### Key findings, February:

Flash US PMI Composite Output Index<sup>(1)</sup>: 50.4 (Jan: 52.7). 17-month low.

Flash US Services PMI Business Activity Index<sup>(2)</sup>: 49.7 (Jan: 52.9). 25-month low.

Flash US Manufacturing Output Index<sup>(3)</sup>: 53.8 (Jan: 51.8). 11-month high.

Flash US Manufacturing PMI<sup>(4)</sup>: 51.6 (Jan: 51.2). 8-month high.

Data were collected 10-20 February

US business activity growth came close to stalling in February, according to flash PMI® survey data, as a renewed fall in services output offset faster manufacturing growth. New order growth also weakened sharply and business expectations for the year ahead slumped amid growing concerns and uncertainty related to federal government policies. The upturn in manufacturing output was also in part linked to the front-running of tariffs, hinting at merely a temporary boost.

Input cost pressures meanwhile spiked higher, notably in manufacturing as suppliers passed on tariff-related price hikes and wage pressures persisted. However, intensifying competition helped limit the pass through of selling prices in the services sector, where inflation sank to a near five-year low.

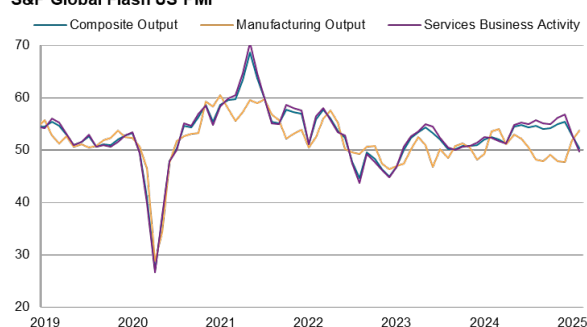
### Output and demand

The headline S&P Global US PMI Composite Output Index sank to 50.4 in February from 52.7 in January, according to the preliminary 'flash' reading, which is based on approximately 85% of usual survey responses. The drop took the index to its lowest level for 17 months to signal a near-stalling of business activity.

Weakness was centered on the services economy, where output fell slightly in February to signal the first contraction of the sector for 25 months, representing a sharp contrast to the robust expansion seen late last year. New business inflows into the services sector came close to stagnation, showing the smallest rise for

ten months to indicate a marked worsening of demand growth in the sector since last year.

S&P Global Flash US PMI



Data compiled February 21, 2025. Index, sa, >50 = growth since previous month. Source: S&P Global PMI. © 2025 S&P Global.

Service providers commonly linked the downturn in activity and worsening new orders growth to political uncertainty, notably in relation to federal spending cuts and potential policy impacts on economic growth and inflation outlooks.

Manufacturing output meanwhile rose for a second successive month, rising at the sharpest rate for 11 months, principally buoyed by higher new orders. However, new order growth slowed slightly, caused in part by a steepening loss of export orders. Many manufacturers also reported that the rise in production and demand was in part linked to front-running potential cost increases or supply shortages linked to tariffs.

### Future sentiment

Optimism about the coming year slumped to its lowest since December 2022, except for last September, when business was unsettled by uncertainty ahead of the Presidential election. The deterioration in February was primarily a reflection of increased uncertainty about the business environment, especially in relation to federal government policies related to domestic spending cuts and tariffs. Worries over higher prices, and broader geopolitical developments were also noted.

Future sentiment remained relatively elevated in manufacturing by recent standards, though fell from

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January's 34-month high. Service sector confidence showed a steeper decline, deteriorating further from December's one-and-a-half year high to sit at its lowest since last September.

### US flash PMI future output expectations

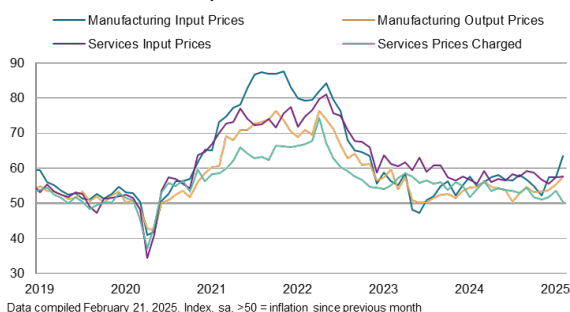


## Prices

Having accelerated to a four-month high in January, selling price inflation cooled to a three-month low in February. However, trends varied markedly by sector. Whereas intensifying competition was often cited as driving service sector price inflation to its lowest in the current period of rising prices (which began in June 2020), manufacturing selling prices showed the largest monthly increase for two years.

Cost pressures meanwhile intensified to the highest since last September. Service sector input cost inflation edged up to a four-month high, with companies citing tariff related price hikes from suppliers alongside rising food prices and upward wage pressures. But it was manufacturing which saw the steepest increase in costs, with raw material prices showing the largest monthly gain since October 2022, with the increase overwhelmingly blamed by purchasing managers on tariffs and related supplier-driven price hikes.

### S&P Global Flash US PMI price indices



## Employment

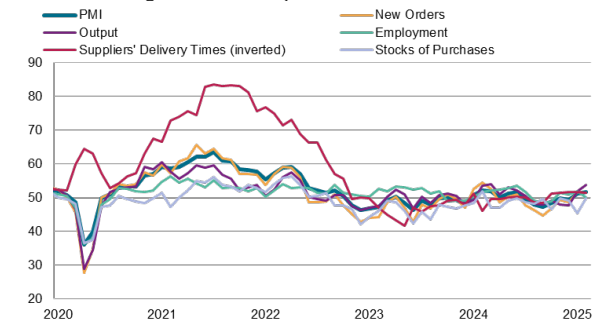
Employment fell slightly amid heightened uncertainty and concerns over rising costs. It was the first decline in

employment for three months to represent a marked change in hiring after jobs growth hit a 31-month high in January. Services providers reported renewed job losses after two months of net hiring, while manufacturing payrolls rose only very marginally to contrast with the more-robust gains seen over the prior three months.

## Manufacturing PMI

The S&P Global Flash US Manufacturing PMI rose from 51.2 in January to 51.6 in February, signaling a second successive monthly improvement in business conditions within the goods-producing sector and the sharpest upturn recorded since last June.

### US Manufacturing PMI and its components



Factory production rose for a second month in February, increasing at the steepest rate for 11 months. The drag from falling input inventories also eased to the lowest since last June, helping to lift the PMI. New order growth weakened, however, with employment also rising at a reduced – near-stalled – rate. Suppliers' delivery times meanwhile lengthened for a fifth straight month, adding support to the PMI (longer lead-times often indicate busier supply chains), albeit to the weakest degree since last October.

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

*"The upbeat mood seen among US businesses at the start of the year has evaporated, replaced with a darkening picture of heightened uncertainty, stalling business activity and rising prices.*

*"Optimism about the year ahead has slumped from the near-three-year highs seen at the turn of the year to one of the gloomiest since the pandemic. Companies report widespread concerns about the impact of federal government policies, ranging from spending cuts to tariffs and geopolitical developments. Sales are reportedly being hit by the uncertainty caused by the changing political landscape, and prices are rising amid tariff-related price hikes from suppliers.*

# PMI®

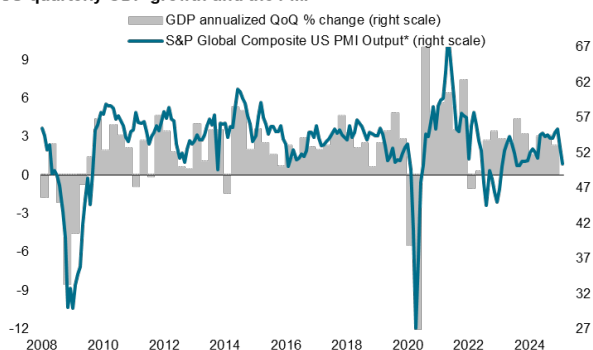
by **S&P Global**

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"Whereas the survey was indicating robust economic growth in excess of 2% late last year, the February survey signals a faltering of annualised GDP growth to just 0.6%.

"While overall inflationary pressures remained muted, this reflected a squeezing of margins in the services sector as companies sought to absorb cost increases in order to offer competitive prices amid weakened demand. A concern is the sharp, tariff-related, jump in manufacturing input prices, which will likely either put further upward pressure on inflation in the coming months or further squeeze profit margins among US companies."

### US quarterly GDP growth and the PMI



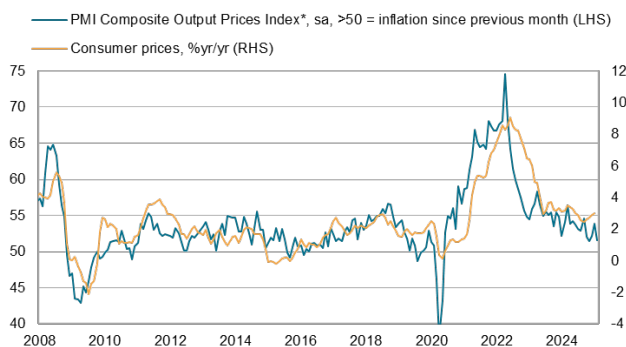
Data compiled February 21, 2025.

\* PMI covers manufacturing only prior to 2009 but manufacturing & services thereafter.

Sources: S&P Global PMI, S&P Global Market Intelligence, BEA.

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### S&P Global Flash US PMI vs inflation



Data compiled February 21, 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.

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## Notes to editors

Final February data are published on 3 March for manufacturing and 5 March 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,

## News release

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](mailto: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.

# PMI®

by **S&P Global**

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### PMI by S&P Global

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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