News Release

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

Demand weakness weighs further on private sector business activity in November

Key findings:

Flash US PMI Composite Output Index[1] at 46.3 (October: 48.2). 3-month low.

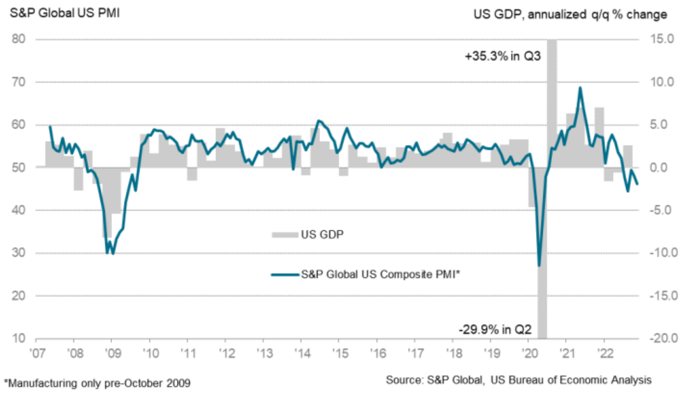
Flash US Services Business Activity Index[2] at 46.1 (October: 47.8). 3-month low.

Flash US Manufacturing Output Index[4] at 47.2 (October: 50.7). 30-month low.

Flash US Manufacturing PMI[3] at 47.6 (October: 50.4). 30-month low.

Data were collected 11-22 November

S&P Global Flash US PMI Composite Output Index



November saw a solid contraction in business activity across the US private sector, according to latest 'flash' PMI™ data from S&P Global. Lower output was seen across both manufacturing and service sectors amid increasingly steep downturns in demand. The overall fall in activity was the second-fastest since May 2020 as inflation, rising borrowing costs and economic uncertainty weighed on demand.

The headline **Flash US PMI Composite Output Index** registered 46.3 in November, down from 48.2 at the start of the fourth quarter. The rate of contraction signalled was the sharpest since August and among the quickest since 2009.

Demand conditions worsened as the fourth quarter progressed, with **new orders** across the private sector falling in November at the fastest pace since the initial pandemic wave in May 2020. With the exception of the early stages of the pandemic, the decrease in total new sales was the sharpest since 2009. Manufacturers and service providers alike recorded steeper declines in new business, with many firms stating that the impact of inflation and interest rates had led to greater hesitancy and postponements by customers in placing orders.

The pace of decline in **new export orders** also gathered momentum, with manufacturing weakness being met by a dwindling service sector performance in external markets.

On a more positive note, inflationary pressures eased further in November. Private sector **input cost** inflation softened for the sixth month running, increasing at the slowest rate since December 2020. Although still rising at a pace well above the series average, firms noted that decreases in the price of some key components including lumber, steel and plastic, as well as reduced freight costs, led to a softer overall uptick in expenses.

Reflecting the slower growth of input costs, firms raised their **selling prices** at the slowest rate for just over two years. The pace of charge inflation was notably softer than seen earlier in the year. Some firms stated that concessions and discounts were made to entice customers to place orders amid the weak demand environment.

Meanwhile, lower new order inflows led to a strong reduction in levels of **outstanding business** at US firms. The fall in backlogs of work was the sharpest in two-and-a-half years, with manufacturers reporting the steeper decline in work-in-hand. A more consistent supplier performance and weak demand allowed firms to work through their incomplete business, according to panellists.

In line with subdued demand, firms increased their **workforce numbers** only marginally in November. Hiring reportedly continued as firms tried to fill open vacancies for skilled workers, but the non-replacement of leavers (in an effort to cut costs) weighed on employment growth.

Despite challenging demand conditions, firms reported a pick-up in **output expectations** for the coming 12 months in November. Manufacturers and service providers both signalled greater confidence in the outlook. Improvements in supply chain stability and hopes of greater client demand following new product launches were key factors spurring greater optimism. Growth expectations nonetheless remained well below levels seen this time last

PMI™ by S&P Global

year.

S&P Global Flash US Services PMI™

The **S&P Global Flash US Services Business Activity Index** posted 46.1 in November, down from 47.8 in October. Excluding the initial pandemic phase in the first half of 2020, the rate of decline was the second-fastest on record. Panellists often stated that the impact of inflation and interest rates on customer disposable income had dented demand conditions.

In line with weak demand, new business fell at a solid pace in November. The second successive monthly decrease in new orders was the sharpest seen since May 2020.

On the price front, input costs rose at a slower pace midway through the fourth quarter. The increase in cost burdens was the softest in almost two years, as firms noted lower prices for some key inputs.

At the same time, the rate of inflation for prices charged for services eased for the seventh successive month and was the softest since October 2020. Firms often noted that slower price hikes were linked to efforts to remain competitive and drive new sales.

A solid reduction in backlogs of work and capacity pressure at service providers led to only a marginal uptick in employment. Where hiring was successful, firms linked this to the filling of long-held vacancies.

Nonetheless, firms remained upbeat in their expectations for activity over the next year. Confidence picked up from October and was reportedly driven by hopes of further easing in price pressures and investment in service lines.

S&P Global Flash US Manufacturing PMI™

At 47.6, down from 50.4 in October, the **S&P Global Flash US Manufacturing PMI** signalled a renewed decline in operating conditions at manufacturers in November. The deterioration in the health of the sector was solid and the first since June 2020.

Contributing to the decrease in the headline figure was a renewed fall in output and a sharper decline in new orders. Demand conditions were stymied by inflation and economic uncertainty, according to panellists, with new sales falling at the quickest rate since May 2020. Alongside challenging domestic demand conditions, new export orders contracted at a sharper pace.

Nonetheless, there were positive developments in November, as firms signalled the first improvement in supplier performance since October 2019. Faster lead times were, however, often linked to reduced demand for inputs. Moreover, purchasing activity fell at the sharpest pace since May 2020 as firms reportedly worked through excess inventories.

In line with shorter delivery times for inputs, firms recorded a slower rise in cost burdens. Average input prices increased at the softest rate for two years amid reports of lower costs for key inputs including lumber and plastics.

Although historically elevated, factory output price inflation also eased in November. Firms sought to drive sales and entice customers, with selling prices rising at the slowest pace since January 2021.

Difficulties in finding skilled labor remained apparent in November, however, which – combined with concerns over weakening demand – caused the rate of employment growth to slow to only a marginal pace. Backlogs of work fell sharply in part due to firms receiving inputs in a more timely manner, but new orders also declined at an increased rate.

Finally, business confidence in the outlook for output over the coming year improved from October's recent low. Although still below the historic series average, optimism stemmed from shorter lead times for inputs and hopes of stronger client demand.

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

"Business conditions across the US worsened in November, according to the preliminary PMI survey findings, with output and demand falling at increased rates, consistent with the economy contracting at an annualised rate of 1%.

"Companies are reporting increasing headwinds from the rising cost of living, tightening financial conditions – notably higher borrowing costs – and weakened demand across both home and export markets.

"Skill shortages also remain a worrying constraint on expansion, but there is better news on supply chains, with supplier performance improving in November for the first time for over three years.

"While the reduced supply chain stress is partly a symptom of lower demand, the alleviation of supply delays removes a key driver of inflationary pressures and has helped moderate the overall rate of input cost inflation to a near two-year low. November even saw increasing numbers of suppliers, factories and service providers offering discounts to help boost flagging sales. Hiring has also slowed to a crawl so far in the fourth quarter as firms focus on reducing costs.

"In this environment, inflationary pressures should continue to cool in the months ahead, potentially markedly, but the economy meanwhile continues to head deeper into a likely recession."

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Note to Editors

Final November data are published on 1 December for manufacturing and 5 December 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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