# News Release

MARKET SENSITIVE INFORMATION
Embargoed until 0945 EDT (1345 UTC) 23 May 2023

# S&P Global Flash US Composite PMI™

## US output growth hits 13-month high in May but divergence widens between manufacturing and services

**Key findings:**

Flash US PMI Composite Output Index[1] at 54.5 (April: 53.4). 13-month high.

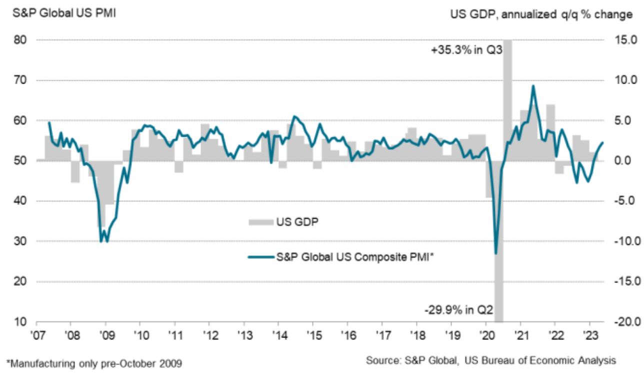
Flash US Services Business Activity Index[2] at 55.1 (April: 53.6). 13-month high.

Flash US Manufacturing Output Index[4] at 51.0 (April: 52.4). 2-month low.

Flash US Manufacturing PMI[3] at 48.5 (April: 50.2). 3-month low.

Data were collected 12-22 May 2023.

**S&P Global Flash US PMI Composite Output Index**




Companies in the US registered a solid upturn in business activity during May, according to the latest 'flash' PMI™ data from S&P Global. Overall growth in output was the fastest for just over a year. The expansion was led by service providers, however, as manufacturers recorded only a slight rise in production.

The headline **S&P Global Flash US PMI Composite Output Index** registered 54.5 in May, up from 53.4 in April, to signal a solid and faster expansion in private sector business activity. The rise in output was the sharpest since April 2022, but led by service providers, who reported stronger demand conditions. Although manufacturers registered growth in production, it was only marginal and slowed from the previous survey period. The slight upturn was linked to improvements in capacity amid greater workforce numbers. Some noted the more timely delivery of key inputs, allowing greater processing of unfinished work, but growth was constrained by a lack of new orders.

Total **new orders** rose for the third month running in May, with the rate of increase quickening to the steepest for a year. Mirroring the trend for output, service providers drove the latest upturn in new business as manufacturers saw a renewed contraction in sales. The fall in manufacturing new orders was the fastest since February as firms noted challenges securing new business as customers continued to work through their existing stocks.

At the same time, total **new export orders** decreased further, thereby extending the current sequence of decline to 12 months. Moreover, the rate of contraction was the quickest in 2023 to date despite a renewed expansion in service sector new business from abroad. Issues relating to competitiveness and weak demand from key export destinations reportedly weighed on new export sales.

Price pressures across the US private sector diverged during May, as manufacturers recorded a fall in **input prices** for the first time in three years. Service providers continued to register a marked increase in cost burdens, albeit the rate of increase softening to the slowest for five months. Where a rise in operating expenses was noted, this was often linked to greater wage bills, with some instances of higher supplier prices also mentioned. Lower demand for some inputs and improved supplier performance drove the decrease in costs at goods producers.

**Output charges**, however, continued to rise midway through the second quarter. The rate of charge inflation eased to the slowest for three months, though remained elevated by historical standards of the survey. Goods producers saw a notable slowdown in selling price inflation, with the rate of increase only marginal and the softest since July 2020, contrasting with resilient strong increases in service sector charges.

Despite challenging demand conditions in the manufacturing sector, **employment** growth remained solid in May. Total private sector workforce numbers increased at the fastest pace since July 2022 as companies stated that a greater ability to hire and increased availability of candidates supported job creation.

Greater capacity allowed firms to work through their **backlogs of work** during May, as orders-in-hand fell for the first time in three months. Service providers recorded broadly unchanged levels of incomplete business, whereas manufacturers signalled the steepest drop in unfinished work in three years following subdued demand conditions in the sector.

Nonetheless, **business expectations** for the coming year improved in May. Goods producers were more upbeat than their service sector counterparts. Optimism stemmed from broad-based hopes of a pick-up in demand conditions and plans to invest in new products and marketing.

### S&P Global Flash US Services PMI™

At 55.1, the **S&P Global Flash US Services Business Activity Index** signalled a strong expansion in service sector output midway through the second quarter. The rate of growth in activity was the fastest for just over a year, with firms linking the upturn to greater demand from new and existing clients.

Stronger demand conditions also supported a steeper rise in new business at service providers. New orders rose at the fastest rate since April 2022, with the pace of expansion also exceeding the series average. Contributing to the sharper increase in total new orders was a renewed rise in new business from abroad. New export orders grew for the first time in a year, and at a solid rate.

Inflationary pressures remained historically elevated across the service sector in May. Although easing, rates of increase in input prices and output charges were faster than their respective series averages. Companies often stated that greater wage bills drove inflation, as firms sought to pass-through higher cost burdens to clients.

Service providers noted an increased ability to bring in new staff during May, as employment rose at a quicker pace. The rate of job creation was the fastest for ten months, with firms recording broadly unchanged levels of unfinished business as a result of greater capacity improvements. This followed back-to-back expansions in backlogs of work in March and April.

Service sector firms remained optimistic of an increase in business activity over the coming year. The degree of confidence picked up to the highest in a year amid hopes of sustained increases in client demand.

### S&P Global Flash US Manufacturing PMI™

The **S&P Global Flash US Manufacturing PMI** posted 48.5 in May, down from 50.2 in April, to signal a renewed deterioration in manufacturing operating conditions. The decline in the health of the sector was only marginal, but stemmed from weak demand conditions and a reduced need to hold inputs following improved delivery times and lower new order inflows.

Although output continued to increase in May, the rate of expansion slowed to only a marginal rate. Production growth was often linked to greater workforce numbers and the timely delivery of inputs which allowed firms to work through backlogs of work.

Demand conditions weakened notably, however. The fall in new orders was solid overall and the quickest for three months. Previous hikes in selling prices, alongside sufficient stocks at clients, reportedly drove the downturn in new orders. Weighing on total sales was a steeper decline in new export orders. Overseas sales decreased at a sharp rate that, with the exception of the initial pandemic period, was the fastest since May 2009.

Nonetheless, firms continued to hire new workers as the availability of candidates improved. Employment growth was solid overall and the quickest since last September. Increased capacity aided firms' efforts to process incomplete work. Backlogs fell sharply and at the fastest rate in three years.

There was a notable turnaround in inflationary pressures at manufacturers midway through the second quarter, as input prices fell for the first time since May 2020. Supplier delivery times improved further and to the greatest extent on record, as demand for inputs dwindled. The downward adjustment in input buying among goods producers spurred suppliers to reduce some component prices.

Lower cost burdens were reflected in output charges, which increased at the slowest rate since July 2020. Although still passing on some previous hikes in supplier prices to customers, efforts to remain competitive and drive new sales dampened the pace of increase.

Manufacturers signalled stronger optimism regarding the outlook for output over the coming 12 months in May. The degree of confidence was the highest for a year as firms sought to invest in new product development and hoped for an uptick in client demand.

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

*"The US economic expansion gathered further momentum in May, but an increasing dichotomy is evident. While service sector companies are enjoying a surge in post-pandemic demand, especially for travel and leisure, manufacturers are struggling with over-filled warehouses and a dearth of new orders as spending is diverted from goods to services.*

*"The inflation picture is also changing. Whereras manufacturing prices spiked higher during the pandemic due to strong demand and deteriorating supply, it is now the service sector's turn to be hiking prices amid resurgent demand and an inability to cope with order inflows due to a lack of capacity.*

*"Jobs growth has accelerated as service providers companies seek to meet demand, but this tightening labour market amid strong demand will be a concern as a fuel of further inflationary pressures."*

# News Release

## Contact


**S&P Global Market Intelligence**
Siân Jones
Principal Economist
S&P Global Market Intelligence
Telephone +44-1491-461-017
Email: sian.jones@spglobal.com

Katherine Smith
Corporate Communications
S&P Global Market Intelligence
Telephone +1 (781) 301-9311
Email katherine.smith@spglobal.com


## Note to Editors

Final May data are published on 1 June for manufacturing and 5 June 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?"

## S&P Global (NYSE: SPGI)

S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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 .

If you prefer not to receive news releases from S&P Global, please contact katherine.smith@spglobal.com. To read our privacy policy, click here.



PMI™ by S&P Global