

MARKET SENSITIVE INFORMATION

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S&P Global Flash US Composite PMI[®]

Robust output and sales growth reported in October as selling prices rise at slowest rate since May 2020

Key findings:

Flash US PMI Composite Output Index⁽¹⁾ at 54.3 (September: 54.0). 2-month high.

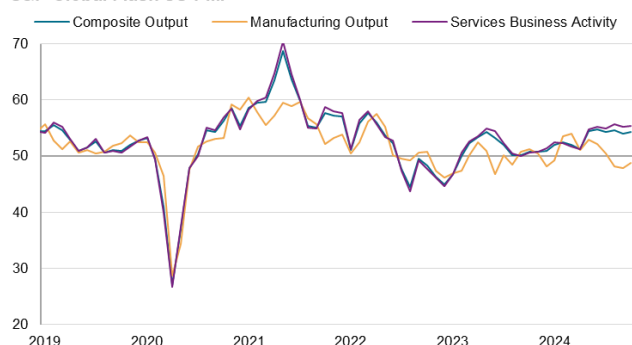
Flash US Services Business Activity Index⁽²⁾ at 55.3 (September: 55.2). 2-month high.

Flash US Manufacturing Output Index⁽⁴⁾ at 48.8 (September: 47.9). 3-month high.

Flash US Manufacturing PMI⁽³⁾ at 47.8 (September: 47.3). 2-month high.

Data were collected 10-23 October 2024.

S&P Global Flash US PMI



Data compiled October 23, 2024. Index, sa, >50 = growth since previous month.
Source: S&P Global PMI.
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Overview

October's flash US PMI[®] survey signalled a further solid rise in business activity to mark a robust start to the fourth quarter. Growth was driven solely by the service sector, however, as manufacturing output contracted for a third month running. Meanwhile, employment fell slightly for a third successive month amid uncertainty ahead of the Presidential Election.

Confidence in the outlook over the coming year meanwhile recovered after a steep decline in September, as companies anticipated greater stability and certainty post-election.

The October survey also recorded slower rates of inflation for input costs and prices charged, the latter falling especially sharply to the lowest since May 2020 linked to

a particular marked cooling of service sector inflation.

Output and demand

The headline S&P Global Flash US PMI Composite Output Index registered 54.3 in October, up from 54.0 in September, to signal a sustained solid expansion of business activity at the start of the fourth quarter. The latest reading was only marginally below the average recorded over the latest six months, which has witnessed a sustained period of steady robust growth. New orders for goods and services also rose at the sharpest rate for 17 months, reflecting higher sales and stronger demand.

By sector, growth remained uneven in October, characterised by strong service sector growth contrasting with falling manufacturing output.

Service sector activity (output) grew at a marginally increased pace at the start of the fourth quarter, the latest expansion having been exceeded only once over the past two-and-a-half years by that recorded in August. The improvement was driven by the largest rise in new business into the service sector since April 2022, in turn fueled by rising domestic demand, which offset a marginal fall in export orders for services.

Manufacturing output meanwhile fell for a third successive month in October, albeit the rate of decline moderating to the slowest recorded over this period. However, while new orders also fell at a reduced rate, the rate of loss of orders remained steep, with weaker than anticipated sales also often having caused an unplanned rise in unsold stock levels. Inventories of finished goods consequently rose for a fourth successive month, keeping the forward-looking orders-to-inventory ratio at one of the lowest levels seen since the global financial crisis to signal further near-term production weakness.

Future sentiment

Looking further ahead, having slumped to a 23-month low in September, optimism about output in the coming year rebounded sharply in October, hitting a 29-month high. The shift in sentiment underscores the unusual volatility of the current business and political environment as the US Presidential Election nears. The boost to confidence in

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October was often a reflection of hopes that paused spending and deferred decisions ahead of the election will lift once the political situation is clarified. Prospects of lower inflation, lower interest rates and stronger economic growth in 2025 also helped instil greater confidence.

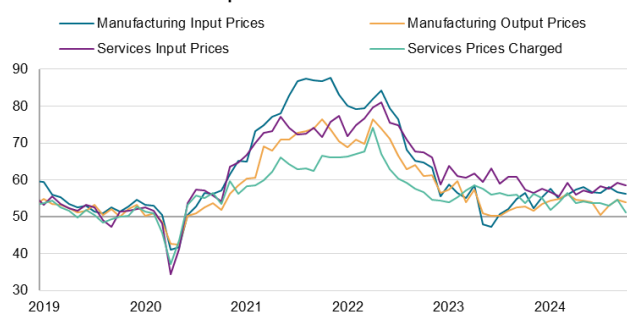
Future optimism struck a 16-month high in the service sector and a nine-month high in manufacturing.

Employment

Employment fell for a third straight month in October, though the decline was again only very modest and less than reported in August and September. The drop in payrolls was more pronounced in the manufacturing sector, though even here the drop in headcounts was smaller than reported in September. The decline in service jobs was meanwhile only very modest, and often linked to the non-replacement of leavers rather than layoffs.

Prices

S&P Global Flash US PMI price indices



Data compiled October 23, 2024. Index, sa, >50 = inflation since previous month
Source: S&P Global PMI.
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October saw average prices charged for goods and services rise at a sharply reduced rate, registering the smallest monthly increase since May 2020. The moderation represented a contrast to the uptick seen in September and pushed the rate of inflation below the pre-pandemic long-run average.

The rate of selling price inflation cooled especially sharply in the service sector, down to its lowest for almost four-and-a-half years, but also fell in manufacturing.

Input cost inflation also slowed, though remained elevated by historical standards, notably in the service sector. Although service sector input cost inflation waned slightly, generally linked to lower wage pressures, it remained the third-highest recorded over the past year and well above the pre-pandemic average.

Manufacturing input cost growth fell to a seven-month low, attributed to lower fuel prices, reduced buying and competition among suppliers.

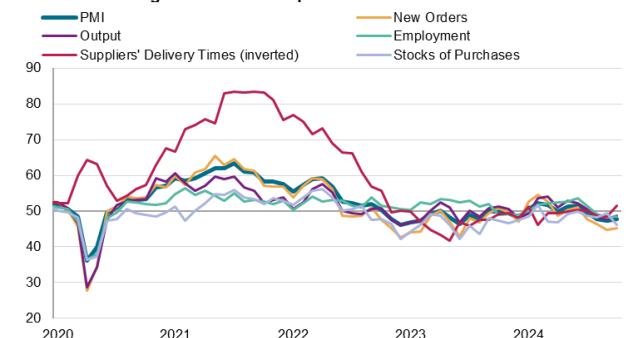
Manufacturing PMI

The S&P Global Flash US Manufacturing PMI rose from 47.3 in September to 47.8 in October, signaling a deterioration in business conditions within the goods-producing sector for a fourth successive month but with the rate of deterioration moderating to the slowest since August.

All five PMI components exerted negative drags on the index bar suppliers' delivery times, with longer lead-times reported for the first time in three months amid freight-related congestion and weather-related disruptions to supply chains.

The largest negative contribution to the PMI again came from new orders, which fell for a fourth straight month, albeit with the rate of decline easing from September's 15-month peak, followed by stocks (inventories) of purchases, which fell at the sharpest rate for 14 months to be the only component exerting a more powerful negative drag in the PMI than in September. Production and employment fell at reduced rates.

US Manufacturing PMI and its components



Data compiled October 23, 2024. Index, sa, >50 = improvement since previous month.
Source: S&P Global PMI.
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Comment

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

“October saw business activity continue to grow at an encouragingly solid pace, sustaining the economic upturn that has been recorded in the year to date into the fourth quarter. The October flash PMI is consistent with GDP growing at an annualized rate of around 2.5%.

“Demand has also strengthened, as signalled by new order inflows hitting the highest for nearly one-and-a-half years, albeit with both output and sales growth limited to the services economy.

“Sales are being stimulated in part by more competitive pricing, which has in turn helped drive selling price inflation for goods and services down to the lowest since the initial pandemic slump in early 2020. These weaker price pressures are consistent with inflation running below the

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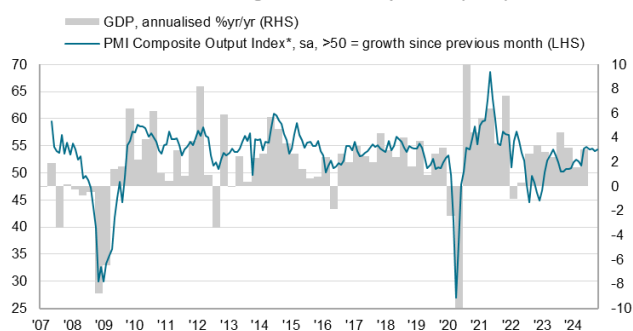
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Fed's 2% target.

"Businesses nevertheless remain cautious about hiring, leading to a third month of modest payroll reductions. Firms are worried in particular about uncertainty caused by the Presidential Election.

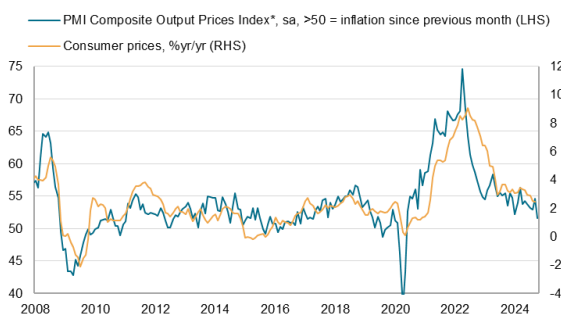
"More encouragingly, confidence in the longer, year-ahead, outlook has improved as companies hope that a stabler post-election environment is more conducive to growth. This is especially so in the manufacturing sector, where factories hope that the current soft patch in production and sales will reverse as the uncertainty caused by the political environment passes."

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.
© 2024 S&P Global. *PMI Manufacturing Output Index May '07- Sep '09

S&P Global Flash US PMI vs inflation



Data compiled October 23, 2024. *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 October data are published on 1 November for manufacturing and 5 November 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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