

## MARKET SENSITIVE INFORMATION

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## S&P Global Flash US Composite PMI®

### Output growth fastest for seven months at start of 2024, prices charged rise at slowest rate since May 2020

#### Key findings:

Flash US PMI Composite Output Index<sup>(1)</sup> at 52.3 (December: 50.9). 7-month high.

Flash US Services Business Activity Index<sup>(2)</sup> at 52.9 (December: 51.4). 7-month high.

Flash US Manufacturing Output Index<sup>(4)</sup> at 48.7 (December: 48.1). 2-month high.

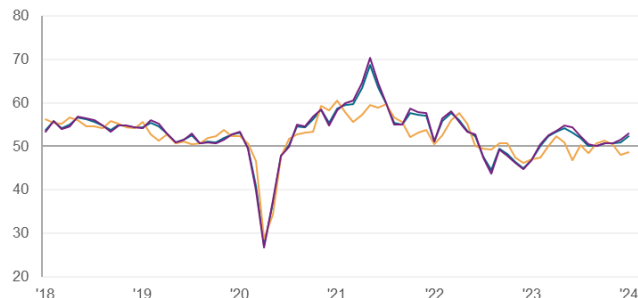
Flash US Manufacturing PMI<sup>(3)</sup> at 50.3 (December: 47.9). 15-month high.

Data were collected 11-23 January 2024.

#### S&P Global Flash US PMI

Index, sa, >50 = growth since previous month

— Composite Output — Manufacturing Output — Services Business Activity



Source: S&P Global PMI.  
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#### Overview

Businesses in the US signalled a stronger upturn in activity at the start of the year, as output growth quickened to the sharpest rate in seven months. The expansion was driven by service providers, as manufacturers continued to see a drop in production amid intensifying supply issues.

Nonetheless, a broad-based improvement in demand conditions was reported, as firms reported stronger new order growth for both goods and services, helping push business confidence for the year ahead to a 20-month high.

On the price front, overall input costs rose at a slightly softer pace at the start of the year, while firms raised their

selling prices at the slowest rate since May 2020.

Meanwhile, companies increased their workforce numbers at a marginal pace as backlogs of work rose for the first time in ten months.

#### Output and demand

At 52.3, the headline S&P Global Flash US PMI Composite Output Index was up from 50.9 in December and signalled the fastest rise in business activity since June 2023. The expansion in output indicated a notable uptick in performance at the start of the year.

Output growth was led by service providers, as manufacturing firms continued to see a moderate drop in activity in January. The rate of decline in production at goods producers eased from that seen in December, however, linked to improved order inflows. Manufacturers also mentioned that delivery delays following severe storms and shipping disruptions at times hampered production. Suppliers' delivery times at goods producers lengthened on average for the first time in 13 months.

New business expanded for the third successive month at US companies in January, with the rate of growth quickening to the sharpest since June 2023. The upturn in new orders was broad-based, as manufacturers registered the first rise in new sales since October 2023, and the fastest uptick since May 2022. Service providers reported the strongest gain for seven months. More robust demand conditions were linked to greater client referrals and emerging reports of customers having worked through their buffer stocks.

Stronger demand was domestically focused, however, as new export orders fell for the second month running in January. The decrease was the quickest since October 2023 amid a faster drop in manufacturing new export sales and another marginal decline in the service sector.

Businesses were more upbeat in their expectations regarding the outlook for output at the start of 2024, as the degree of confidence reached the highest since May 2022. Increased optimism reportedly stemmed from hopes of improving demand conditions, investment in

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new machinery and the release of new service lines.

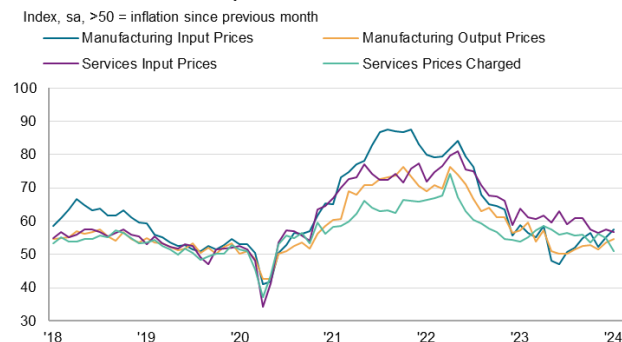
## Employment

Companies in the US recorded another rise in employment during January, albeit slightly slower than seen in December. The increase in staffing numbers was only marginal overall and the second-softest since last August. Panellists highlighted that greater workforce numbers were due to increased business requirements and the hiring of skilled workers for long-held vacancies, but that hiring was often constrained by labor shortages.

The upturn in employment was also linked to efforts to clear backlogs of work amid a renewed accumulation of incomplete business in January. The level of outstanding work grew for the first time since last April, with the expansion driven by service providers. Manufacturers, meanwhile, recorded a slower but still marked drop in work-in-hand.

## Prices

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



Source: S&P Global PMI.  
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Inflationary pressures cooled at the start of the year, as input prices rose at a softer pace. The rate of increase was slower than the series average and the second-weakest since October 2020. That said, goods producers saw a sharper uptick in cost burdens. The pace of manufacturing input cost inflation picked up to the steepest since April 2023 amid challenges sourcing materials, higher prices for transportation and increased fuel costs.

A sectoral divergence was also evident for selling prices in January, as service providers signalled the slowest rise in output charges in the current sequence of inflation which began in June 2020 amid efforts to price competitively and drive new orders. Manufacturers, meanwhile, raised their output prices at the steepest rate since April 2023 as firms sought to pass through higher costs to customers. Measured overall, average prices charged for goods and services rose at a much-reduced rate in January, posting the smallest monthly rise since May 2020.

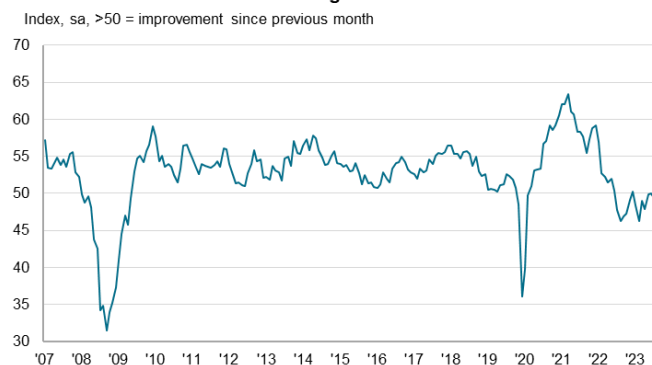
## Manufacturing PMI

At 50.3, the S&P Global Flash US Manufacturing PMI was up from 47.9 in December, to signal the first improvement in operating conditions at goods producers in nine months. The upturn was only fractional, however, amid a further drop in production.

Although firms noted broadly sufficient availability of materials at suppliers, challenging trucking conditions due to storms and transportation delays reportedly weighed on vendor performance. Lead times lengthened for the first time in over a year and to the greatest extent since October 2022.

Purchasing activity at manufacturers continued to contract, with firms also depleting pre-production inventories further, but both rates of decline eased on the month. Stocks of finished goods saw a renewed expansion, indicating the fastest rise in post-production inventories since November 2022 as companies anticipate greater new orders in the coming months.

**S&P Global Flash US Manufacturing PMI**



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:

*“An encouraging start to the year is indicated for the US economy by the flash PMI data, with companies reporting a marked acceleration of growth alongside a sharp cooling of inflation pressures.*

*“Output measured across both goods and services rose in January at the fastest rate since last June, growth momentum having stepped up a gear on the back of improved demand conditions. New orders inflows have now picked up for three months, buoyed in particular by improving sales to domestic customers, helping lift business confidence about the year ahead to the most optimistic since May 2022.*

*“Confidence has also been buoyed by hopes of lower inflation in 2024, easing the cost of living squeeze and*

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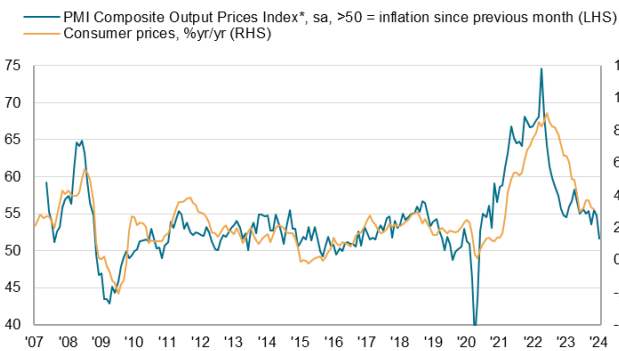
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facilitating the path to lower interest rates. With prices rising in January at the slowest rate since the initial pandemic lockdowns of early 2020, companies report that selling price inflation is now below the pre-pandemic average and consistent with consumer price inflation dropping below the Fed’s 2% target.

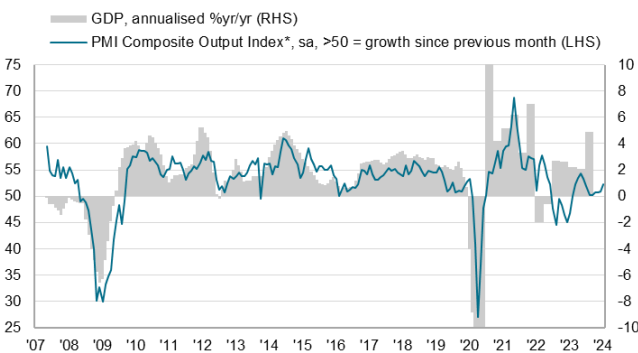
“With the survey indicating that supply delays have intensified while labor markets remain tight, cost pressures will need to be monitored closely in the coming months, but for now the survey send a clear and welcome message of resilient economic growth and sharply waning inflation.”

### 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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## 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](mailto:sian.jones@spglobal.com)

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

## Notes to editors

Final January data are published on 1 February for manufacturing and 5 February 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 <sup>1</sup>	0.1	0.4
Manufacturing <i>PMI</i> <sup>3</sup>	0.0	0.3
Services Business Activity Index <sup>2</sup>	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](mailto: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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## 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.

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