News Release

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

US private sector output falls at softer pace as new orders return to growth in September

Key findings:

Flash US PMI Composite Output Index(1) at 49.3 (August: 44.6). 3-month high.

Flash US Services Business Activity Index(2) at 49.2 (August: 43.7). 3-month high.

Flash US Manufacturing Output Index(4) at 49.5 (August: 49.2). 2-month high.

Flash US Manufacturing PMI(3) at 51.8 (August: 51.5). 2-month high.

Data were collected 07-22 September

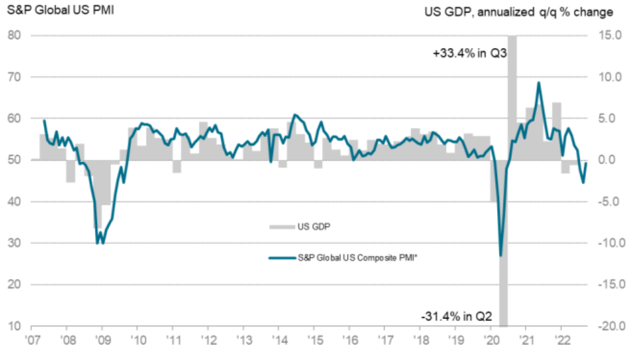
US private sector firms registered a softer fall in output during September, according to latest 'flash' PMI™ data from S&P Global. Contractions in activity across the manufacturing and service sectors eased. The overall decrease was only marginal and signalled a notably slower rate of decline compared to that seen in August.

The headline **Flash US PMI Composite Output Index** registered 49.3 in September, up from 44.6 in August, to signal a softer and only marginal decline in private sector business activity. The decrease was also the slowest in the current three-month sequence of contraction. Although manufacturers continued to register a slight fall in production, service providers signalled a much slower pace of decline in output.

New orders received by private sector firms returned to expansionary territory in September, with growth broad-based across the manufacturing and service sectors. The upturn was only mild, despite being the quickest since May. Where an increase was noted, some firms linked this to the acquisition of new clients. The rate of expansion was historically subdued, however, as a number of companies suggested that inflationary pressures continued to weigh on customer spending. **New export orders** remained in contraction, with the rate of decrease the second-fastest since May 2020.

For the fourth month running, the rate of **input cost** inflation eased during September. The pace of increase was the slowest since the start of 2021, as manufacturers and service providers recorded slower upticks in operating expenses. That said, cost burdens continued to rise at an historically elevated pace, with interest rate hikes and

S&P Global Flash US PMI Composite Output Index



*Manufacturing only pre-October 2009

Source: S&P Global, US Bureau of Economic Analysis

material and wage increases driving inflation.

Reflecting softer rises in cost burdens, firms increased their **selling prices** at a slower pace at the end of the third quarter. That said, the moderation was led by service providers as manufacturers registered a sharper uptick in output charges in an effort to pass on higher costs to clients.

In line with a renewed rise in new orders, private sector firms signalled growth in **backlogs of work** during September. The increase was only marginal overall, but contrasted with a solid decline in August. Manufacturers continued to note difficulties in working through orders due to transportation and supply chain disruption, with capacity constraints hampering service providers for the first time since May.

Employment across the private sector rose further in September, albeit at a softer pace than in August. The moderate upturn in workforce numbers reflected expansions in manufacturing and service sector staffing levels. The rate of job creation at goods producers was the sharpest for six months amid greater success in hiring suitable candidates for vacancies.

Private sector firms were more upbeat in their **expectations** for output over the coming 12 months at the end of the third quarter. The degree of confidence picked up to a four-month high and was only just below the series trend. Increased optimism was linked to hopes of further upticks in new orders and the acquisition of new customers. Greater positive sentiment stemmed from

PMI™ by S&P Global

service providers as manufacturers registered a slight moderation in their expectations.

S&P Global Flash US Services PMI™

The **S&P Global Flash US Services Business Activity Index** posted at 49.2 in September, up notably from 43.7 in August to signal a much slower decline in output. The fall in business activity was the softest for three months as firms stated that a pick up in new orders and client demand dampened the contraction.

Meanwhile, new orders rose following a decline during August. The upturn was only slight overall, however, as reports of strong inflation and interest rates hampering sales persisted. In contrast to a rise in total new business, new export orders fell for the fourth month running.

Inflationary pressures across the service sector remained substantial in September. That said, the rate of cost inflation softened to the slowest since January 2021 amid reports of drops in some material costs. In an effort to drive sales, firms passed on cost savings to their clients where possible, which led to the slowest uptick in output charges for almost two years.

At the same time, backlogs of work returned to growth as staff and parts shortages, alongside greater new orders, put pressure on capacity. The rise was only marginal, however. Firms sought to expand workforce numbers, but higher wage costs and challenges finding suitable candidates weighed on overall job creation, which eased to the slowest in 2022 so far.

Service providers were more confident of a rise in output over the coming year, as the level of optimism reached the highest since May amid improved expectations around client demand.

S&P Global Flash US Manufacturing PMI™

At 51.8 in September, up slightly from 51.5 in August, the **S&P Global Flash US Manufacturing PMI** continued to signal a relatively subdued improvement in the health of the manufacturing sector. The September headline reading was the second-lowest since July 2020.

Weighing on the overall upturn was a further contraction in production in September. The fall was only marginal, but broadly in line with that seen in August. Relatively muted demand and supply chain constraints continued to hamper output and capacity, with backlogs of work increasing again.

New orders grew for the first time in four months at the end of the third quarter, albeit only slightly. Subdued demand conditions reportedly stemmed from concerns regarding inflation and economic uncertainty. New export orders remained in contraction territory amid challenging economic conditions in key export markets.

Although input costs increased at a softer pace during September, firms raised their output charges at a sharper rate. Average operating expenses rose at the slowest pace since November 2020, as some material prices reportedly fell. Historically elevated increases in costs were, however, partially passed on to customers.

A greater ability to hire new workers led to a solid upturn in employment at manufacturers in September. The rate of job creation was the fastest since March.

The softer rise in input costs was also partially due to a less marked deterioration in vendor performance. Lead times lengthened to the smallest extent since October 2020, as some firms noted reprieves in the supply of certain materials and less severe transportation delays. That said, higher input costs led to a further decline in purchasing activity in September, with firms opting to utilise stocks to supplement production. As a result, pre-production inventories fell at a solid pace.

Finally, manufacturers remained broadly confident of a rise in output over the coming year amid increased new orders and investment in product development. The degree of optimism was dampened by ongoing concerns regarding economic uncertainty and the impact of inflation on customer spending, however.

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

"US businesses are reporting a third consecutive monthly fall in output during September, rounding off the weakest quarter for the economy since the global financial crisis if the pandemic lockdowns of early-2020 are excluded. However, while output declined in both manufacturing and services during September, in both cases the rate of contraction moderated compared to August, notably in services, with orders books returning to modest growth, allaying some concerns about the depth of the current downturn.

"There was also better news on inflation, with supplier shortages easing to the lowest since October 2020, helping take some of the pressure off raw material prices. These improved supply chains, accompanied by the marked softening of demand since earlier in the year, helped cool overall the rate of inflation of both firms' costs and average selling prices for goods and services to the lowest since early-2021.

"Inflation pressures nevertheless remain elevated by historical standards and, with business activity in decline, the surveys continue to paint a broad picture of an economy struggling in a stagflationary environment."

News Release

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Note to Editors

Final August data are published on 3 October for manufacturing and 5 October 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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