News Release

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

Stronger demand conditions support sharper growth in April, but also bring renewed inflation momentum

Key findings:

Flash US PMI Composite Output Index(1) at 53.5 (March: 52.3). 11-month high.

Flash US Services Business Activity Index(2) at 53.7 (March: 52.6). 12-month high.

Flash US Manufacturing Output Index(4) at 52.8 (March: 50.2). 11-month high.

Flash US Manufacturing PMI(3) at 50.4 (March: 49.2). 6-month high.

Data were collected 12-20 April 2023.

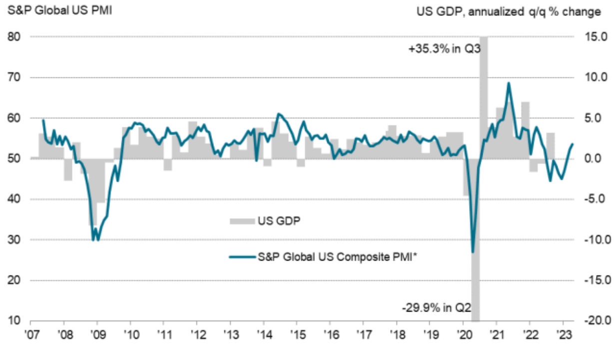
April data indicated a faster rise in business activity at firms based in the US, according to the latest 'flash' PMI™ data from S&P Global. Output rose at the sharpest pace for almost a year, as stronger demand conditions, improving supply and a steeper uptick in new orders supported the expansion. Solid growth in activity was seen across both the manufacturing and service sectors.

The headline **S&P Global Flash US PMI Composite Output Index** registered 53.5 in April, up from 52.3 in March, to signal the quickest upturn in business activity since May 2022. The increase in output was the third in as many months. The faster rise in activity was broad-based, with service sector firms registering the sharper rate of growth. Where a rise in activity was noted, firms linked this to greater customer confidence and a stronger uptick in new orders. Some companies also noted that an improvement in their ability to hire staff had boosted output.

New orders at US firms increased at the sharpest rate for 11 months in April as new client wins, improved customer confidence and successful marketing strategies drove the uptick. The rise in new business was solid overall, building on a modest gain in March and contrasting with contractions seen in the opening months of the year. Growth was led by the service sector as the upturn in manufacturing new orders was only fractional, albeit returning to expansion for the first time in seven months.

Improvements in client demand were largely focused on the domestic market as **new export orders** continued to contract in April. Despite the pace of decline easing to the slowest for three months, subdued foreign demand conditions were broad-based.

S&P Global Flash US PMI Composite Output Index



*Manufacturing only pre-October 2009

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

Following back-to-back months of softening cost pressures in February and March, April data indicated a pick-up in rates of **input cost** and **output charge** inflation. Operating expenses rose at a marked and historically elevated pace that was the steepest for three months. Hikes in supplier prices were often attributed to greater incremental increases in material costs during the month. Manufacturers and service providers alike recorded sharper increases in cost burdens.

Meanwhile, overall output prices rose at the fastest pace for seven months. Firms stated that more accommodative demand conditions allowed them to continue passing through higher interest rates, staff wages, utility bills and material costs to clients.

Encouragingly, the rate of job creation accelerated at the start of the second quarter of the year. Growth in private sector **employment** numbers was the quickest since last July as goods producers and service providers showed some success in efforts to expand capacity. Nonetheless, **backlogs of work** increased for the second month running as companies mentioned further struggles finding suitable candidates and retaining staff amid rising wage costs.

Business expectations among US firms remained upbeat during April, with the degree of confidence in the year ahead outlook ticking up to the second-highest since May 2022. The level of optimism was slightly below the long-run series average, however, amid concerns surrounding higher interest rates and inflationary pressures.

PMI™ by S&P Global

S&P Global Flash US Services PMI™

The **S&P Global Flash US Services Business Activity Index** posted 53.7 at the start of the second quarter, up from 52.6 in March. The upturn in output at service providers was the quickest for a year and solid overall, as greater employment and stronger demand supported the increase.

New business grew for the second successive month in April, as the rate of expansion accelerated to the fastest since May 2022. Improved marketing initiatives, greater domestic demand and the acquisition of new customers were reportedly behind the latest uptick in new orders. Weighing on the overall rise was a further marginal decline in new export orders. The export fall was the slowest in the current 11-month sequence of contraction, however.

Although slower than seen throughout 2022, the rate of cost inflation at service providers quickened in April. The pace of increase was sharper than the series average as companies noted that higher borrowing costs and general inflationary pressures added to business expenses.

Selling prices increased at a sharper pace, as firms responded to higher cost burdens by passing these through to customers where possible amid more accommodative demand conditions. The rate of inflation accelerated for the third month running and was the quickest since last August.

Pressure on capacity and a modest accumulation of backlogs of work led to the fastest rise in employment at service providers since July 2022. Firms mentioned that their ability to hire had improved, which supported job creation.

Business confidence at service sector firms picked up to the second-highest for almost a year in April, as firms remained hopeful of further improvements in demand. Inflation and pressure on costs from rising interest rates continued to weigh on sentiment, however, as optimism was below the historic trend level.

S&P Global Flash US Manufacturing PMI™

The **S&P Global Flash US Manufacturing PMI** posted 50.4 in April, up from 49.2 in March, to signal the first improvement in operating conditions at goods producers in six months. The overall upturn was only marginal, but was supported by stronger growth in output and employment, alongside a renewed rise in new orders.

Production levels at manufacturers rose modestly in April, albeit at the fastest rate since May 2022. Greater output was linked to increased employment and a return to new order growth. The rise in new sales was only fractional overall, but brought to an end a six-month sequence of contraction and signalled stabilizing demand conditions across the sector. A further downturn in foreign client demand continued to dampen the overall expansion, as new export orders fell at a solid pace.

Reports of further and more notable hikes in supplier prices drove up the rate of cost inflation during April. The pace of increase in operating expenses was the quickest since last November. Firms were able to partly pass this through to customers, however, as selling prices increased at a sharp and historically elevated rate.

Marginal decreases in inventories and greater client demand during April led firms to step up their input buying activity for the first time in nine months. Recent supply chain disruption continued to abate, as vendor performance improved to the greatest extent on record (since May 2007).

At the same time, factories were able to increase their workforce numbers to a greater extent at the start of the second quarter. The rate of job creation accelerated to the fastest since September 2022 and was solid overall. Panellists stated that there was increased availability of candidates, with firms hiring to support growth in output. Backlogs of work declined again, thereby extending the current sequence of contraction to seven months. That said, the pace of decrease was the slowest in the aforementioned period.

Finally, manufacturers expressed optimism in the outlook for output over the coming year amid signs of improvements in demand conditions and labor availability. Despite rising to a three-month high, the degree of confidence was slightly below the long-run series average amid inflation worries and some concerns regarding a shift away from goods towards services among customers following the end of the pandemic.

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

"The latest survey adds to signs that business activity has regained growth momentum after contracting over the seven months to January. The latest reading is indicative of GDP growing at an annualized rate of just over 2%.

"Growth is also reassuringly broad-based, led by services thanks to a post-pandemic shift in spending away from goods, though goods producers are also reporting signs of demand picking up again.

"Jobs growth has accelerated alongside the resurgence of demand, aided by reports of vacancies being more easily filled, reflecting improved supply of candidates and higher wages.

"However, the upturn in demand has also been accompanied by a rekindling of price pressures. Average prices charged for goods and services rose in April at the sharpest rate since September of last year, the rate of inflation having now accelerated for three successive months. This increase helps explain why core inflation has proven stubbornly elevated at 5.6% and points to a possible upturn – or at least some stickiness – in consumer price inflation."

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Note to Editors

Final April data are published on 1 May for manufacturing and 3 May 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)

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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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