News Release

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

Output growth accelerates in July, prices rise at slower rate

Key findings:

Flash US PMI Composite Output Index(1) at 55.0 (June: 54.8). 27-month high.

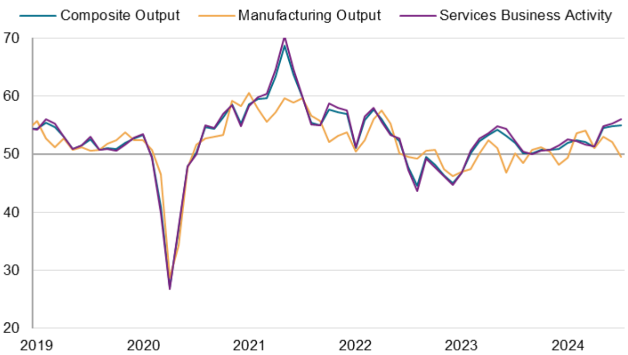
Flash US Services Business Activity Index(2) at 56.0 (June: 55.3). 28-month high.

Flash US Manufacturing Output Index(4) at 49.5 (June: 52.1). 6-month low.

Flash US Manufacturing PMI(3) at 49.5 (June: 51.6). 7-month low.

Data were collected 11-23 July 2024.

S&P Global Flash US PMI



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

US business activity growth edged up to its fastest for 27 months in July, according to flash PMI survey data from S&P Global, signalling an encouragingly strong start to the third quarter. Growth disparities widened, however, with the service sector leading the upturn while manufacturing output slipped into decline for the first time in six months.

The positive news was further marred by employment growing at a slower rate, and business confidence in the outlook falling for a second month, fueled in part by rising political uncertainty ahead of the Presidential Election.

Competitive forces meanwhile meant prices charged for goods and services rose at one of the slowest rates seen over the past four years, though some renewed upward pressure on costs was reported. Input prices across goods and services rose at the steepest rate for four months.

Output and demand

The headline S&P Global Flash US PMI Composite Output Index rose from 54.8 in June to 55.0 in July, its highest since April 2022. Output has now risen continually over the past one-and-a-half-years, with the pace of expansion having improved markedly in recent months after slowing in April.

The service sector outperformed manufacturing for a fourth straight month, with the sectoral divergence widening to the greatest since June of last year. While the service sector expanded in July at the strongest rate since March 2022, manufacturing output fell into decline for the first time since January.

Sector variances were also marked in terms of order book growth. Measured overall, inflows of new work rose at a slightly reduced rate, caused by a renewed fall in new orders at manufacturers. However, the overall rise was the second largest seen over the past 13 months thanks to faster inflows of new business placed at service providers, which rose at the sharpest rate for just over a year.

Future sentiment

Optimism about output in the year ahead slipped to a three-month low in July, dropping further below the survey's long-run average. Sentiment was adversely affected by uncertainty regarding the Presidential Election and resulting policies, though companies also cited concerns over the persistent high cost of living in relation to both inflation and interest rates. These concerns were more evident in the service sector than manufacturing, with the latter in fact reporting a pick-up in sentiment from June's 19-month low, often linked to the expansion of capacity and the anticipation of demand improving over the coming year, especially after the election.

Employment and capacity

Employment rose for a second successive month, pointing to a further modest labor market improvement after headcounts fell briefly in the two months to May. Manufacturers reported the stronger rate of increase, though both sectors reported weaker payroll gains than in June.

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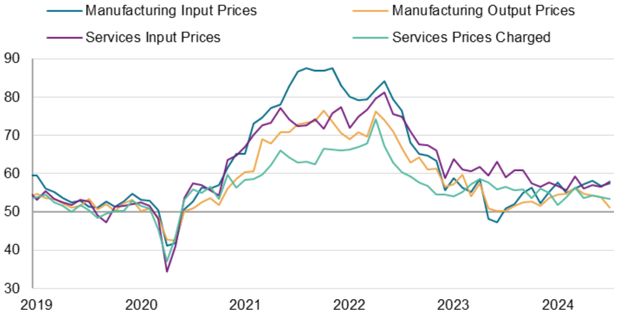
The rise in employment helped firms reduce their backlogs of work marginally, notably in manufacturing.

Prices

S&P Global Flash US PMI price indices



Data compiled July 23, 2024. Index, sa, >50 = inflation since previous month
Source: S&P Global PMI.
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Average prices charged for goods and services rose at the slowest rate since January, and the second-slowest rate since October 2020. While some stubbornness of inflation was still evident in the service sector, prices charged for services rose on average at the slowest rate for almost four years barring only January's brief dip in the rate of inflation. Prices charged for goods leaving the factory gate meanwhile rose only very modestly, increasing at the slowest rate for a year, adding to the disinflationary trend.

The slower rise in charges occurred despite upward pressure on input price inflation. Average costs across manufacturing and services rose at the sharpest rate for four months, rising in both sectors at increased rates.

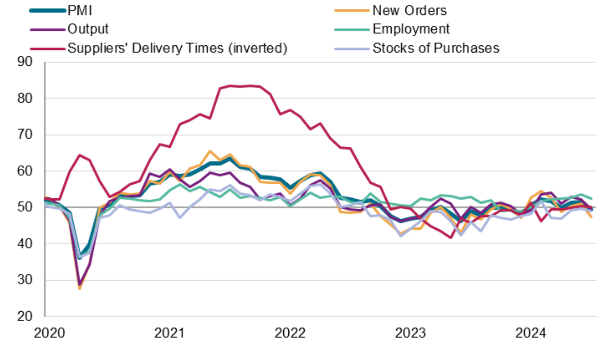
Firms reported higher prices for a wide variety of raw materials, with energy and logistics prices also on the rise, the latter caused in part by increased freight and shipping rates. However, higher wage pressures also remained a dominant factor behind price hikes, especially in the service sector.

Manufacturing PMI

The S&P Global Flash US Manufacturing PMI fell from 51.6 in June to 49.5 in July, signaling a deterioration in business conditions within the goods-producing sector for the first time since December.

Falls in new orders, production and inventories contributed to the decline in the PMI, the former dropping especially sharply. A reduced rate of employment growth also acted as a drag on the PMI. Suppliers' delivery times meanwhile lengthened marginally, acting as a positive influence on the PMI for a second month running, though the lengthening was only very marginal.

US Manufacturing PMI and its components



Data compiled July 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:

"The flash PMI data signal a 'Goldilocks' scenario at the start of the third quarter, with the economy growing at a robust pace while inflation moderates.

"Output across manufacturing and services is expanding at the strongest rate for over two years in July, the survey data indicative of GDP rising at an annualized rate of 2.5% after a 2.0% gain was signaled for the second quarter.

"The rate of increase of average prices charged for goods and services has meanwhile slowed further, dropping to a level consistent with the Fed's 2% target.

"The good news is qualified, however, with both the growth and inflation pictures containing some worrying elements to monitor in the coming months.

"From the output perspective, growth has become worryingly skewed, with manufacturing slipping back into contraction as the service sector gains further strength. Some of the production decline was linked to staff shortages, so could prove temporary – something which is supported by the sector reporting improved confidence about future growth prospects. However, both manufacturers and service providers are reporting heightened uncertainty around the election, which is

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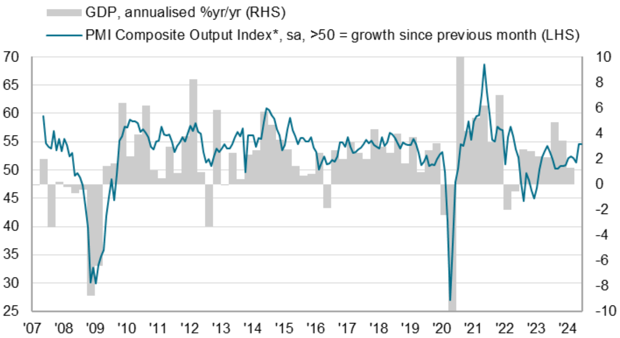
dampening investment and hiring.

"In terms of inflation, the July survey saw input costs rise at an increased rate, linked to rising raw material, shipping and labour costs. These higher costs could feed through to higher selling prices if sustained, or cause a squeeze on margins."

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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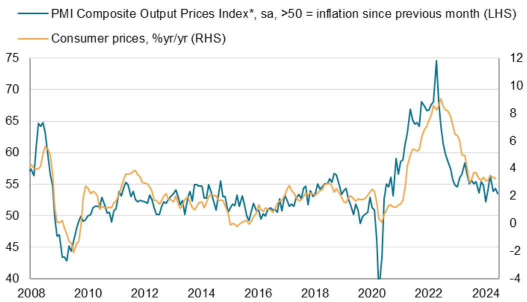
S&P Global Flash US PMI vs inflation



Data compiled June 21, 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 July data are published on 1 August for manufacturing and 5 August 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]	0.1	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
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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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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