

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0945 (EDT) / 1345 (UTC) 23rd April 2021

IHS Markit Flash U.S. Composite PMI™

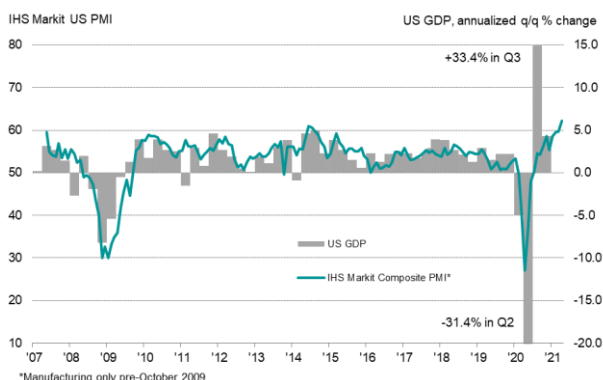
Private sector output growth reaches fresh series high, but supply chain disruption continues to hamper goods production

Key findings:

- Flash U.S. Composite Output Index at 62.2 (59.7 in March). Series record high.
- Flash U.S. Services Business Activity Index at 63.1 (60.4 in March). Series record high.
- Flash U.S. Manufacturing PMI at 60.6 (59.1 in March). Series record high.
- Flash U.S. Manufacturing Output Index at 57.2 (55.6 in March). 2-month high.

Data collected April 12-22

IHS Markit Composite PMI and U.S. GDP



Sources: IHS Markit, U.S. Bureau of Economic Analysis

U.S. private sector businesses registered a survey-record expansion of output during April, as looser COVID-19 restrictions and strong client demand boosted business activity. A steep upturn in manufacturing production occurred despite unprecedented supply chain disruptions, while services activity growth hit a new high.

Adjusted for seasonal factors, the **IHS Markit Flash U.S. Composite PMI Output Index** posted 62.2 in April, up from 59.7 in March, to reach the highest since data collection began in October 2009. The

overall upturn was supported by quicker increases in services and manufacturing output amid looser COVID-19 measures and the reopening of many service sector businesses. The rise in manufacturing production was, however, weighed down by difficulties sourcing raw materials and ongoing supplier delivery delays, which were the most extensive on record.

New order growth accelerated again in April, with firms noting the strongest upturn on record. The reopening of large portions of the economy following an easing in lockdown measures led to firmer client demand. At the same time, total new export orders rose at the fastest pace since the composite data series began in September 2014, as many export markets reopened.

As a result of the surge in demand, backlogs of work rose at the joint-fastest pace since September 2014.

Pressure on capacity at manufacturers and service providers led to the sharpest rise in employment since November 2020. Although some firms reported the rehiring of employees let go during the depths of the pandemic, many noted the need for additional new staff.

Unprecedented supply chain disruptions pushed input costs higher once again in April. That said, the rate of inflation eased slightly amid softer increases among service providers. Nonetheless, the rise was the second-fastest on record, with many firms seeking to pass on greater costs to clients. The pace of output price inflation for goods and services accelerated to a series high.

Firms remained strongly upbeat regarding the outlook for output over the coming 12 months in

April, albeit less so than in March. Optimism reportedly stemmed from looser COVID-19 restrictions, the continued vaccine roll-out and greater client demand.

IHS Markit Flash U.S. Services PMI™

The seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index** registered 63.1 in April, up from 60.4 in March to signal the fastest expansion in service sector activity since data collection for the series began in October 2009. Growth was reportedly driven by stronger client demand and the reopening of many businesses amid the easing of restrictions.

New business growth accelerated notably to the sharpest on record, with total sales supported by a solid increase in new export orders.

Average cost burdens continued to rise markedly in April, as higher fuel, wage, shipping and PPE costs drove inflation. The rate of increase softened slightly, but was still one of the fastest on record. The rate of charge inflation quickened, however, as stronger client demand allowed firms to pass on a greater proportion of hikes in input prices to clients.

In line with an uptick in customer demand, the level of outstanding business rose at the steepest rate since September 2020. In turn, firms raised staffing numbers at the fastest pace since last November.

Business expectations remained optimistic in April, as hopes of an end to COVID-19 measures as 2021 progresses drove confidence in future activity.

IHS Markit Flash U.S. Manufacturing PMI™

Manufacturers registered the strongest improvement in operating conditions since data collection for the series began in May 2007 in April, as highlighted by the **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**¹ posting 60.6, up from 59.1 in March. The uptick in the headline figure was partially linked to an unprecedented deterioration in vendor performance (ordinarily a signal of improving operating conditions). Capacity issues at suppliers and ongoing port delays reportedly exacerbated supply chain disruptions.

Manufacturers signalled a sharp rise in output

during April, but many firms stated that production capacity was hampered by an inability to source raw materials and inputs in a timely manner. Although the rate of expansion quickened, it remained slower than those seen at the turn of the year.

Subsequently, backlogs of work rose markedly. The rate of accumulation in outstanding business eased slightly, however, as firms expanded workforce numbers at a strong pace.

Meanwhile, input costs increased at the sharpest rate since July 2008. Higher input prices were reportedly due to severe supplier shortages and marked rises in transportation fees. In contrast to their service sector counterparts, manufacturers registered a slight softening in the rate of charge inflation. Nevertheless, the increase was the second-fastest on record as firms continued to partially pass-through costs to clients.

Output expectations regarding the year ahead were markedly upbeat in April. Hopes of an end to the COVID-19 crisis and the release of further client demand as markets reopen reportedly drove confidence.

Comment

Commenting on the PMI data, **Chris Williamson, Chief Business Economist** at IHS Markit, said:

"The US economy is enjoying a strong start to the second quarter, firing on all cylinders as loosening virus restrictions, an impressive vaccine roll-out, a brighter outlook and stimulus measures all helped boost demand.

"The upturn is broad-based: the service sector is growing at the fastest rate recorded in almost 12 years of survey history, and manufacturers reported one of the strongest expansions seen over the past seven years. The latter was all the more impressive, as factories continued to be throttled by unprecedented supply chain delays, a consequence of which was a further steep rise in prices.

"The worsening supply situation is a concern for the outlook, especially in relation to prices. Supply needs to improve to come into line with demand. But with record supply chain delays driving a rise in backlogs of uncompleted work of a magnitude not surpassed for over seven years, firms appear to be struggling to boost operating capacity in the near-term."

-Ends-

¹ Please note that IHS Markit's PMI data, flash and final, are derived from information collected by IHS Markit from a different panel of companies to those that participate in the ISM surveys. No information from the ISM survey is used in the production of IHS Markit's PMI.

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Note to Editors:

Final March data are published on May 3 2021 for manufacturing and May 5 2021 for services and composite indicators.

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?"

The U.S. Services PMI™ (*Purchasing Managers' Index*™) is produced by IHS Markit and is based on original survey data collected from a representative panel of over 400 companies based in the U.S. service sector. IHS Markit began collecting monthly PMI data in the U.S. service sector in October 2009. The flash estimate is typically based on approximately 85%–90% of total PMI survey responses each month and is designed to provide an accurate advance indication of the final PMI data.

The IHS Markit U.S. Services PMI complements the IHS Markit U.S. Manufacturing PMI and enables the production of the IHS Markit U.S. Composite PMI which tracks business trends across both the manufacturing and service sectors, based on original survey data collected from a representative panel of over 1,000 companies.

IHS Markit began collecting monthly *Purchasing Managers' Index*™ (PMI™) data in the U.S. in April 2004, initially from a panel of manufacturers in the U.S. electronics goods producing sector. In May 2007, IHS Markit's U.S. PMI research was extended out to cover producers of metal goods. In October 2009, IHS Markit's U.S. Manufacturing PMI survey panel was extended further to cover all areas of U.S. manufacturing activity. Back data for IHS Markit's U.S. Manufacturing PMI between May 2007 and September 2009 are an aggregation of data collected from producers of electronic goods and metal goods producers, while data from October 2009 are based on data collected from a panel representing the entire U.S. manufacturing economy. IHS Markit's total U.S. Manufacturing PMI survey panel comprises over 600 companies.

The panel is stratified by North American Industrial Classification System (NAICS) group and company size, based on industry contribution to U.S. GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'. Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

IHS Markit 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 IHS Markit. Please contact economics@ihsmarkit.com.

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IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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