News Release

**Purchasing Managers' Index™**
**MARKET SENSITIVE INFORMATION**
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# IHS Markit Flash U.S. Composite PMI™

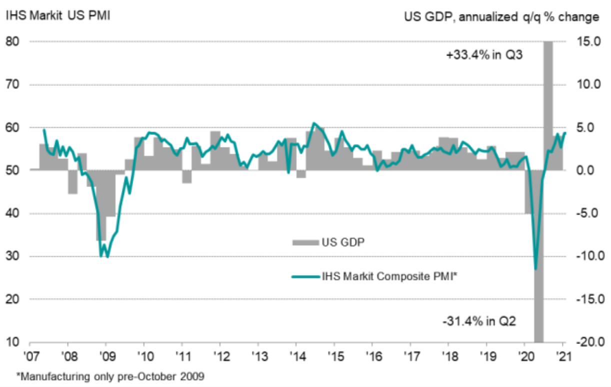
## Price gauges hit record highs as businesses report fastest growth for almost six years

**Key findings:**

- Flash U.S. Composite Output Index at 58.8 (58.7 in January). 71-month high.
- Flash U.S. Services Business Activity Index at 58.9 (58.3 in January). 71-month high.
- Flash U.S. Manufacturing PMI at 58.5 (59.2 in January). 2-month low.
- Flash U.S. Manufacturing Output Index at 57.7 (60.5 in January). 4-month low.

Data collected February 10-18

**IHS Markit Composite PMI and U.S. GDP**




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

Businesses in the U.S. reported the strongest monthly expansion in output for almost six years in February, spurred by accelerating service sector activity and sustained robust growth of manufacturing output.

Adjusted for seasonal factors, the **IHS Markit Flash U.S. Composite PMI Output Index** posted 58.8 in February, up slightly from 58.7 in January. The upturn was the sharpest since March 2015.

Service sector growth hit the fastest since March 2015, with firms often reporting higher activity as virus-related restrictions were partially eased and inflows of new business picked up, notably among domestic customers. Exports of services fell, largely reflecting ongoing restrictions on travel and tourism.

While manufacturing output growth moderated during the month, it remained among the highest seen over the past decade, thanks to a further marked increase in new orders and exports.

The slower manufacturing growth was often blamed on extreme weather and existing widespread supply shortages. Supplier delays hit a record high during the month.

Input costs across manufacturing and services soared higher as demand outstripped supply, rising at by far the steepest rate since comparable data were first available in 2009. Service providers registered the steepest increase in cost burdens since October 2009, while manufacturers recorded the quickest rise since April 2011.

As a result, firms raised their selling prices at the sharpest rate on record (since October 2009), with panellists stating the increase was due to the partial pass-through of greater costs to clients.

In line with strong demand conditions, firms registered another monthly increase in backlogs of work. Nonetheless, employment growth remained relatively muted, as service providers were reluctant to expand workforce numbers amid efforts to cut costs and uncertainty about the near-term outlook due to the pandemic. Manufacturing job creation accelerated, however, reaching the highest for just over three years.

Meanwhile, business confidence remained upbeat and among the brightest seen over the past two years, albeit down from recent highs. Although service providers noted slightly weaker expectations, manufacturing firms signalled the strongest degree of confidence for three months.

### IHS Markit Flash U.S. Services PMI™

The seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index** registered 58.9 in February, up from 58.3 in January. The rise in business activity was the strongest for almost six years, as service sector firms noted greater client demand.

Driving the faster increase in output was a steeper expansion in new business. The rate of growth was the sharpest for three months. That said, foreign client demand weakened in February, as new export orders fell for the second time in three months amid ongoing coronavirus disease 2019 (COVID-19) restrictions.

Substantial price increases for inputs such as PPE led to the fastest rise in cost burdens since data collection began in October 2009. That said, more encouraging demand conditions allowed firms to pass on a greater proportion of the cost increase to clients through a marked rise in selling prices. The rate of charge inflation was the second-fastest on record (behind only November 2020).

Service providers continued to expand their workforce numbers only marginally in February, however, amid efforts to control outgoings. Pressure on capacity was evident nonetheless, as backlogs of work rose modestly.

Ongoing COVID-19 restrictions led to hesitancy regarding the year-ahead outlook, as service providers registered softer output expectations.

### IHS Markit Flash U.S. Manufacturing PMI™

Manufacturing firms signalled a marked improvement in operating conditions in February, as highlighted by the **IHS Markit Flash U.S. Manufacturing *Purchasing Managers' Index*™ (*PMI*™)**[1] posting 58.5, down slightly from 59.2 in January. The headline index reading was buoyed in part due to a substantial deterioration in vendor performance (ordinarily a sign of improving manufacturing conditions).

Although expansions in production and new orders softened, rates of growth were still steep overall, as manufacturers noted stronger client demand. New export orders also rose further, and at a solid pace.

Nevertheless, supply chain disruption remained apparent, as suppliers' delivery times lengthened to the greatest extent since data collection began in May 2007. Key raw material and component shortages, alongside transportation delays, were often cited as factors behind worsening vendor performance. Longer lead times also led to declines in stocks of purchases and finished goods.

As a result, cost burdens were pushed higher. The rate of input cost inflation was the sharpest since April 2011, while firms raised their selling prices at the fastest pace since July 2008 in an effort to partially pass on greater input prices.

A strong rise in backlogs of work led firms to increase employment in February. The rate of job creation was the quickest since December 2017.

Finally, output expectations among manufacturers improved in February. The degree of optimism was the highest since November 2020 amid hopes that client demand will remain strong and COVID-19 restrictions will come to an end during 2021.

## Comment

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

*"Despite headwinds of COVID-19, extreme weather and record supply chain delays, US businesses reported the fastest output growth for almost six years in February.*

*"The data add to signs that the economy is enjoying a strong opening quarter to 2021, buoyed by additional stimulus and the partial reopening of the economy as virus related restrictions were eased on average across the country.*

*"Business sentiment remains buoyant, boosted by hopes of further stimulus and the vaccine roll out, but it's disappointing to see this not yet translate into stronger jobs growth. Many service sector firms in particular remain reluctant to hire, cautious about adding to overheads.*

*"A concern is that firms costs have surged higher, driving selling prices for goods and services up at a survey record pace and hinting at a further increase in inflation."*

*-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.

# News Release

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## Note to Editors:

Final February data are published on March 1 2021 for manufacturing and March 3 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 indictors 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.

**About IHS Markit (www.ihsmarkit.com)**
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.



**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.