

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 0945 (EST) / 1445 (UTC) 16<sup>th</sup> December 2020**

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

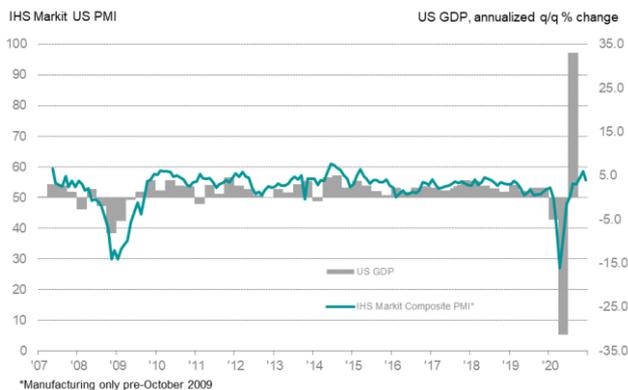
### Recovery momentum wanes amid rising virus cases and supply delays

**Key findings:**

- Flash U.S. Composite Output Index at 55.7 (58.6 in November). 3-month low.
- Flash U.S. Services Business Activity Index at 55.3 (58.4 in November). 3-month low.
- Flash U.S. Manufacturing PMI at 56.5 (56.7 in November). 2-month low.
- Flash U.S. Manufacturing Output Index at 57.3 (59.2 in November). 2-month low.

Data collected December 04-15

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



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

U.S. private sector businesses signalled a strong, albeit softer expansion in output during December. The loss of growth momentum follows rising virus case numbers and re-imposed restrictions in many states, as the post-election uptick and vaccine confidence waned. Manufacturers and service providers alike registered slower increases in business activity in the final month of 2020.

Adjusted for seasonal factors, the **IHS Markit Flash U.S. Composite PMI Output Index** posted 55.7 in December, down from November's 68-month high

of 58.6. The rate of expansion was sharp overall, despite easing to a three-month low. The loss of momentum was most notable in the service sector, where additional restrictions and softer demand impacted consumer-facing business once again.

New orders continued to rise, and at one of the fastest rates since February 2019. Temporary shutdowns and client uncertainty weighed on the upturn, however. Although domestic demand continued to increase among manufacturing and service sector firms, companies registered a fall in new export sales. The decrease was the first since July, as renewed lockdowns in key export markets dampened demand from foreign clients.

As was seen during November, severe supply chain disruptions remained evident in December, with delays more prevalent than at any time since comparable data were available in 2007. As a result of demand rising but supply worsening, firms reported unprecedented supplier price rises. However, the impact of raw material shortages was exacerbated by a surge in the price of PPE. Although manufacturers raised their selling prices at the fastest rate since April 2011, seeking to pass higher costs on to customers where possible, service providers recorded a softer pace of charge inflation amid continual efforts to drive sales.

The outlook for output over the coming year remained upbeat in December, but was tempered by renewed uncertainty regarding the pandemic and surging costs. Business expectations fell to a three-month low. Hesitancy was also reflected in slower employment growth, as backlogs of work rose at only a fractional pace. Outstanding business increased further at manufacturing firms, who also stepped up their hiring efforts, but was unchanged among service providers.

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

The seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index** registered 55.3, slipping from 58.4 in November. The rate of growth was the slowest for three months, albeit solid. As reported virus cases increased once again, firms stated that restrictions and softer demand weighed on total activity.

The rate of expansion in new business also lost momentum as clients, especially those of consumer-facing firms, reportedly expressed greater hesitancy in placing orders. Moreover, reimposed lockdowns in many key export markets led to the first fall in exports since May.

Meanwhile, service providers registered previously unseen increases in input prices during December. The rate of cost inflation accelerated once again to a new record high, as supplier prices and the soaring cost of PPE pushed cost burdens up. Firms only partially passed on higher prices, however, in an effort to boost sales.

Business confidence was relatively strong in December, despite slipping from that seen in November. The lower degree of optimism in a rise in output over the coming year reportedly stemmed from pandemic uncertainty and a weak global economic outlook.

At the same time, pressure on capacity waned and was unchanged from that seen in November, as firms slowed their expansion in hiring.

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

Manufacturing firms indicated the second-fastest improvement in operating conditions since April 2018, as highlighted by the **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**<sup>1</sup> posting 56.5 in December, down slightly from 56.7 in November.

Although expansions in output and new orders remained strong overall, the headline figure was broadly sustained by the greatest deterioration in vendor performance since data collection began in May 2007. Supplier delivery times were extended following severe raw material shortages and supplier capacity and logistical constraints.

Consequently, input costs increased further in December, and at the sharpest rate since April 2018. Firms were able to partially pass-on higher costs to clients, however, as selling prices rose at the steepest pace since April 2011.

Although input buying rose once again, supplier delays led to the continued depletion of inventories, with stocks of finished goods falling at a sharper pace.

Encouragingly, manufacturers were historically upbeat regarding the outlook for output over the coming year, despite pandemic and economic uncertainty dampening expectations compared to those seen in November. At the same time, goods producers increased workforce numbers at a faster pace amid another monthly rise in backlogs of work.

### Comment

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

*“Business reported that the US economy lost growth momentum in December, though encouragingly continued to expand at a solid pace. The survey data add to the likelihood of the economy having continued to expand in the fourth quarter, building on the recovery seen in the third quarter.*

*“However, while November had seen business buoyed by increased activity around Thanksgiving as well as a surge in business confidence following the Presidential election and encouraging vaccine news, December has seen companies rein in their expectations, given the higher virus case numbers and tougher lockdown stances adopted in some states. Lockdowns in other countries were meanwhile reported to have hit exports.*

*“While vaccine developments mean some of the cloud caused by the pandemic should lift as we head through 2021, rising case numbers continue to darken the near-term outlook. In particular, resurgent virus numbers were cited as a key factor behind a pull-back in hiring, hinting that the labour market has cooled amid growing caution among employers. Other costs have meanwhile risen, linked to rising raw material prices and supply shortages caused by the pandemic, acting as a further strain on businesses.”*

-Ends-

<sup>1</sup> 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 December data are published on January 4 2021 for manufacturing and January 6 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](mailto:economics@ihsmarkit.com).

### About IHS Markit ([www.ihsmarkit.com](http://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.

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### 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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