

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

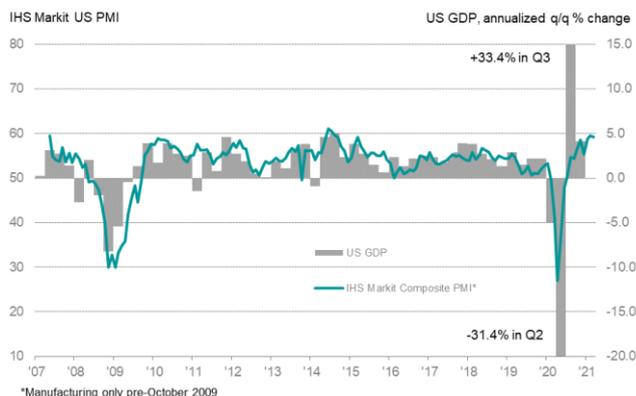
New order growth fastest in 6½ years, but supply chain disruptions limit manufacturing output

Key findings:

- Flash U.S. Composite Output Index at 59.1 (59.5 in February). 2-month low.
- Flash U.S. Services Business Activity Index at 60.0 (59.8 in February). 80-month high.
- Flash U.S. Manufacturing PMI at 59.0 (58.6 in February). 2-month high.
- Flash U.S. Manufacturing Output Index at 54.5 (57.8 in February). 5-month low.

Data collected March 12-23

IHS Markit Composite PMI and U.S. GDP



Private sector companies across the U.S. registered a further substantial increase in business activity at the end of the first quarter. The expansion was largely driven by service providers, as input shortages and supplier delays limited the expansion of manufacturing production capacity.

Adjusted for seasonal factors, the **IHS Markit Flash U.S. Composite PMI Output Index** posted 59.1 in March, down slightly from 59.5 in February, to signal the second-fastest private sector upturn for six years.

Although capacity pressures stemming from extensive supply shortages constrained manufacturing output growth to the slowest for five months, goods producers reported the sharpest rise in new orders since June 2014.

Service providers meanwhile recorded the steepest increase in new business for almost three years amid stronger client demand and looser coronavirus disease 2019 (COVID-19) restrictions. The combined increase in manufacturing and service sector new orders was the strongest since September 2014.

Export orders also continued to rise at private sector firms, up for the third month running, albeit with only a slight gain in service sector exports.

The marked uptick in new business led to a further accumulation in backlogs of work in March. The rise was driven by manufacturing firms who recorded the quickest build-up of uncompleted work since data collection began in May 2007, amid severe input delays. Service providers noted broadly unchanged levels of outstanding business, however.

Meanwhile, unprecedented supply chain disruptions pushed price gauges higher once again. The overall rate of input cost inflation accelerated to the fastest on record as raw material, PPE and fuel prices reportedly soared. Stronger demand conditions allowed for the partial pass-through of costs to clients, with the overall pace of selling price inflation also hitting the sharpest on record.

Business confidence picked up in March, running at a level rarely exceeded over the past seven years. Greater optimism stemmed from positive progress in the vaccine roll-out and hopes that firms will soon

be able to fully reopen, plus stronger demand conditions and news of additional fiscal stimulus.

Subsequently, goods producers registered a strong increase in employment during March. Service sector firms, meanwhile, recorded the quickest rise in staff numbers in the year-to-date, resulting in the steepest overall jobs gain since December.

IHS Markit Flash U.S. Services PMI™

The seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index** registered 60.0 in March, up from 59.8 in February to signal the strongest service sector output expansion since July 2014.

Contributing to the upturn in business activity was a steeper rise in new orders amid stronger client demand and the loosening of COVID-19 restrictions in some states. Moreover, the increase in total new sales was supported by a renewed expansion in new export orders.

Reports of ongoing supply chain issues led to marked hikes in input costs across the service sector during March. The rate of input price inflation was the sharpest since data collection began in late-2009. Firms were able to partially pass higher costs through to clients, however, as selling prices rose at the fastest pace on record.

Greater new business led firms to expand employment in March, and at the quickest pace since December 2020. The increase in staff numbers resulted in broadly unchanged backlogs of work from those seen in February.

At the same time, service providers were buoyed by stronger client demand and hopes of a return to normal business operations amid expectations that COVID-19 restrictions will loosen throughout 2021. As a result, business confidence picked up.

IHS Markit Flash U.S. Manufacturing PMI™

Goods producers registered a robust improvement in the health of the manufacturing sector in March, as highlighted by the **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**¹ posting 59.0 at the end of the first quarter, up from 58.6 in February. The improvement in

operating conditions was the second-fastest since April 2010 amid stronger client demand, but data also highlighted the most severe supply chain disruption on record (since May 2007).

Sustained deteriorations in vendor performance noticeably impacted manufacturing production capacity in March, as firms commonly reported slower output growth due to a lack of raw materials to fulfil new orders. The rate of production growth was the slowest since last October.

Nevertheless, the upturn in new business accelerated to the sharpest since June 2014, with new export orders rising solidly. Restrictions on production, however, meant that backlogs of work were accumulated at the steepest pace since data collection began in May 2007. Although manufacturers expanded workforce numbers at a strong rate, the pace of job creation eased slightly as many firms highlighted struggles finding suitable candidates to fill vacancies.

Amid substantial supplier shortages and input delays, manufacturing firms registered the fastest rise in input costs for a decade in March. At the same time, firms sought to partially pass greater input prices through to clients, with the rate of charge inflation the sharpest on record.

Finally, business confidence remained historically upbeat in March, as firms expect output to rise over the coming year amid stronger new order inflows and hopes of an end to the pandemic.

Comment

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

“Another impressive expansion of business activity in March ended the economy’s strongest quarter since 2014. The vaccine roll-out, the reopening of the economy and an additional \$1.9 trillion of stimulus all helped lift demand to an extent not seen for over six years, buoying growth of orders for both goods and services to multi-year highs.

“Producers were increasingly unable to keep pace with demand, however, due mainly to supply chain disruptions and delays. Higher prices have ensued, with rates of both input cost and selling price inflation running far above anything previously seen in the survey’s history.”

-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 April 1 2021 for manufacturing and April 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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About PMI

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