

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 0945 (EDT) / 1345 (UTC) 23<sup>rd</sup> July 2021**

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

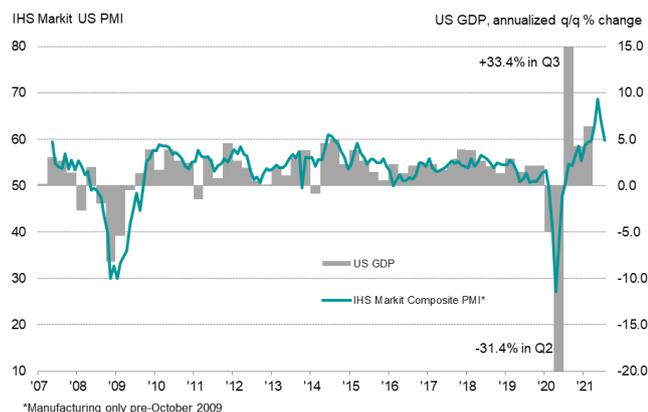
### Robust upturn in private sector activity amid quicker manufacturing output expansion

**Key findings:**

- Flash U.S. Composite Output Index at 59.7 (63.7 in June). 4-month low.
- Flash U.S. Services Business Activity Index at 59.8 (64.6 in June). 5-month low.
- Flash U.S. Manufacturing PMI at 63.1 (62.1 in June). Series record high.
- Flash U.S. Manufacturing Output Index at 59.5 (58.9 in June). 2-month high.

Data collected July 12-22

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



U.S. private sector companies reported a further substantial expansion in business activity during July. That said, the rate of growth eased for the second month running to the softest since March, as firms continued to report widespread capacity constraints.

Adjusted for seasonal factors, the **IHS Markit Flash U.S. Composite PMI Output Index** posted 59.7 in July, down from 63.7 in June. The rate of output growth was the slowest for four months, but robust

nonetheless and among the fastest recorded over the survey's 14-year history.

Manufacturers registered a slight acceleration in the pace of expansion in production, but service providers recorded a further loss of growth momentum amid labour shortages.

Private sector firms continued to signal a substantial increase in new business in July. Although service sector companies registered the softest expansion in new orders for five months, manufacturers noted a quicker upturn. Meanwhile, foreign client demand grew at a solid pace, with exports of goods and services rising at a similar strong clip to that seen in June, albeit down from the survey high recorded in May.

At the same time, cost burdens rose robustly once again in July. With the exception of record rates of input price inflation seen in May and June, the pace of increase was the sharpest since comparable data for goods and services were available in October 2009. Alongside reports of higher raw material and transportation prices, firms also noted greater wage bills as staff were enticed with higher pay in an effort to reduce backlogs of work.

As a result, the rate of selling price inflation for goods and services remained historically steep in July, as firms sought to pass on higher costs to clients. The pace of increase was the third-sharpest on record.

Amid a further strong rise in backlogs of work, companies registered another round of job creation in July. That said, labour shortages in the service sector weighed on total employment growth, which eased to a four-month low.

Finally, the degree of business confidence slipped to a seven-month low. Although still upbeat, firms stated that optimism was dampened by heightened labour and material shortages, rising inflationary pressures and concerns over the pandemic.

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

The seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index** registered 59.8 in July, down from 64.6 in June. This indicated that the rate of expansion slowed once again from May's record high, but remained substantial overall. Where a loss of growth momentum was noted, firms linked this to labour shortages and difficulties acquiring stock.

Contributing to the softer expansion of business activity was a slower upturn in new business across the service sector in July. The pace of growth was the least marked for five months, as some firms noted customer hesitancy amid significant hikes in selling prices. Similarly, the rate of increase in new export orders eased.

Service providers indicated a robust uptick in cost burdens during July, amid hikes in supplier prices and a greater need to hire additional workers. At the same time, the pace of charge inflation remained substantial as firms sought to pass on higher costs to clients.

Although firms recorded a solid increase in employment, the level of outstanding business rose further in July as service providers struggled to keep up with incoming new business. Amid labour shortages and pressure on capacity, firms noted the lowest degree of optimism since February.

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

July data signalled a fresh series record improvement in operating conditions, as highlighted by the **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**<sup>1</sup> posting 63.1 in July, up from 62.1 in June.

Supporting overall growth was a quicker rise in new orders across the manufacturing sector, as new and existing customers ramped up their spending. Firms also saw a stronger uptick in foreign client demand. In turn, the pace of output expansion accelerated to

one of the fastest in seven years. Production rose at a slightly quicker pace despite further reports of material shortages.

In fact, the rate of backlog accumulation quickened to the second-fastest on record (since May 2007), despite the pace of job creation accelerating to the sharpest for three months.

Meanwhile, lead times lengthened markedly and to the second-greatest extent on record. Supply chain disruption was reflected once again in efforts to increase purchasing activity and build safety stocks.

Stronger demand for inputs globally and a scarcity of materials led to the fastest rise in cost burdens on record. Subsequently, the rate of charge inflation accelerated to a fresh series high.

## Comment

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

*"The provisional PMI data for July point to the pace of economic growth slowing for a second successive month, though importantly this cooling has followed an unprecedented growth spurt in May. Some moderation of service sector growth in particular was always on the cards after the initial reopening of the economy, and importantly we're now seeing nicely-balanced strong growth across both manufacturing and services.*

*"While the second quarter may therefore represent a peaking in the pace of economic growth according to the PMI, the third quarter is still looking encouragingly strong.*

*"Short-term capacity issues remain a concern, constraining output in many manufacturing and service sector companies while simultaneously pushing prices higher as demand exceeds supply. However, we're already seeing signs of inflationary pressures peaking, with both input cost and selling price gauges falling for a second month in July, albeit remaining elevated.*

*"Inflationary pressures and supply constraints – both in terms of labour and materials shortages - nevertheless remain major sources of uncertainty among businesses, as does the delta variant, all of which has pushed business optimism about the year ahead to the lowest seen so far this year. The concern is this drop in confidence could feed through to reduced spending, investment and hiring, adding to the possibility that growth could slow further in coming months."*

-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 July data are published on August 2 2021 for manufacturing and August 4 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).

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**About PMI**

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