

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

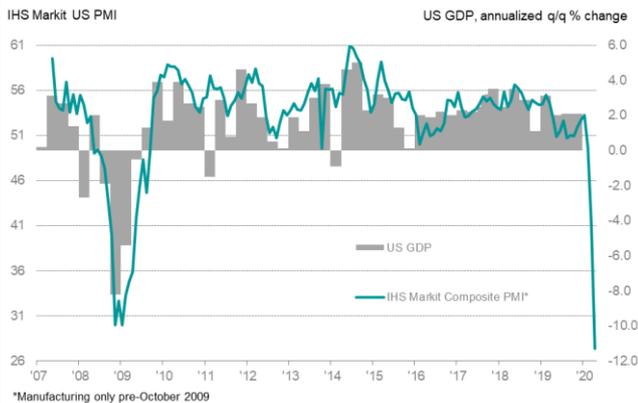
Output contracts at fastest pace in survey history amid COVID-19 pandemic

Key findings:

- Flash U.S. Composite Output Index at 27.4 (40.9 in March). New series low.
- Flash U.S. Services Business Activity Index at 27.0 (39.8 in March). New series low.
- Flash U.S. Manufacturing PMI at 36.9 (48.5 in March). 133-month low.
- Flash U.S. Manufacturing Output Index at 29.4 (46.5 in March). New series low.

Data collected April 7-22

IHS Markit Composite PMI and U.S. GDP



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

Private sector firms in the U.S. signalled an unprecedented decline in business activity in April, with manufacturing and service sector companies registering marked contractions of output amid the outbreak of coronavirus disease 2019 (COVID-19).

Adjusted for seasonal factors, the **IHS Markit Flash U.S. Composite PMI Output Index** posted 27.4 in April, down from 40.9 in March, to signal the fastest reduction in private sector output since the series began in late-2009.

The composite index is based on original survey data from IHS Markit's PMI surveys of both services and manufacturing. Substantial and historically sharp contractions of business activity were seen among both goods producers and service providers.

The decline in output largely stemmed from a slump in both domestic and foreign client demand. Temporary company closures, travel restrictions and other emergency public health measures across the globe weighed on total new orders. Services companies registered the steepest rate of decline in the survey's history, while manufacturers recorded the sharpest fall in sales since the depths of the financial crisis in early-2009.

The cancellation and postponement of orders led firms to reduce their workforce numbers at a rate far exceeding anything seen previously over the survey history at the start of the second quarter. Although some highlighted efforts to furlough staff, many stated that redundancies had to be made following a sharp drop in revenue. At the same time, lower new orders enabled businesses to process unfinished workloads.

Meanwhile, firms continued to register lower cost burdens amid the pandemic outbreak. The decrease in input prices was the fastest in the series history. In an effort to remain competitive and retain clients, companies continued to cut their output charges.

Business confidence turned pessimistic for the first time in the series history (since July 2012), as fears over the longevity of the outbreak, the length of lockdowns and the resilience of business took hold.

IHS Markit Flash U.S. Services PMI™

The seasonally adjusted **IHS Markit Flash U.S.**

Services PMI™ Business Activity Index registered 27.0 at the start of the second quarter, down from 39.8 in March. This pointed to the quickest contraction of services activity since the series began in October 2009 as the virus-related slowdown intensified.

New business fell at a substantial pace that was the most severe in the series history. The drop in demand was attributed to lockdowns and emergency public health measures to limit the spread of the virus, which hit consumer-facing industries particularly hard. The global nature of the outbreak also led to a historic decrease in foreign client demand.

Sentiment regarding the outlook for business activity slumped to a fresh series low, as firms grappled with uncertainty over how long lockdowns and social distancing measures will last. Service providers also cut their staffing levels at a steeper pace amid lower new business.

At the same time, efforts to attract clients into making purchases led to the sharpest fall in output charges since data collection began.

IHS Markit Flash U.S. Manufacturing PMI™

Manufacturers registered the fastest deterioration in operating conditions for just over 11 years in April, as signalled by a fall in the **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**¹ from 48.5 in March to 36.9 in April. The index was buoyed slightly by a further marked deterioration in suppliers' delivery times (ordinarily a signal of improving manufacturing performance).

The opening month of the second quarter signalled the strongest contraction of manufacturing production since the series began in May 2007, with new orders falling at the steepest rate since the depths of the financial crisis in early-2009. Many firms highlighted the cancellation or postponement of both domestic and foreign orders following the pandemic escalation.

Input costs and factory gate charges both fell at the fastest rates for over a decade as weaker demand conditions pushed manufacturers and suppliers to remain competitive.

Factory closures and stay-at-home orders led to a marked downturn in workforce numbers among U.S. manufacturing firms. Despite lower headcounts, firms were able to reduce their backlogs of work due to a substantial drop in new orders.

Finally, confidence regarding the outlook for output over the coming year dropped to a fresh low, and was pessimistic for the first time since the series began in July 2012. Although some expressed hopes of a turnaround in the third quarter, many firms were concerned about the timespan of any recovery and the longevity of current emergency public health measures.

Comment

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

"The COVID-19 outbreak dealt a blow to the US economy of a ferocity not previously seen in recent history during April. The deterioration in the flash PMI numbers indicates a rate of contraction exceeding that seen even at the height of the global financial crisis, with jobs also being slashed at a rate far exceeding anything previously recorded by the survey.

"The large swathe of non-essential business that has been shut down temporarily amid efforts to contain the virus means the blow has been most heavily felt in the service sector, and especially for consumer-facing companies in the recreation and travel industries. Those companies still actively trading meanwhile reported the steepest drop in demand seen since data were first available, and are also struggling against twin headwinds of staff shortages and supply chain delays.

"The scale of the fall in the PMI adds to signs that the second quarter will see an historically dramatic contraction of the economy, and will add to worries about the ultimate cost of the fight against the pandemic."

-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 Report on Business and the ISM Non-Manufacturing Report on Business. No information from the ISM survey is used in the production of IHS Markit's PMI.

For further information, please contact:**IHS Markit**

Siân Jones, Economist
Telephone +44-1491-461-017
Email sian.jones@ihsmarkit.com

Katherine Smith, Corporate Communications
Telephone +1 (781) 301-9311
E-mail katherine.smith@ihsmarkit.com

Note to Editors:

Final April data are published on May 1 for manufacturing and May 5 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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