

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

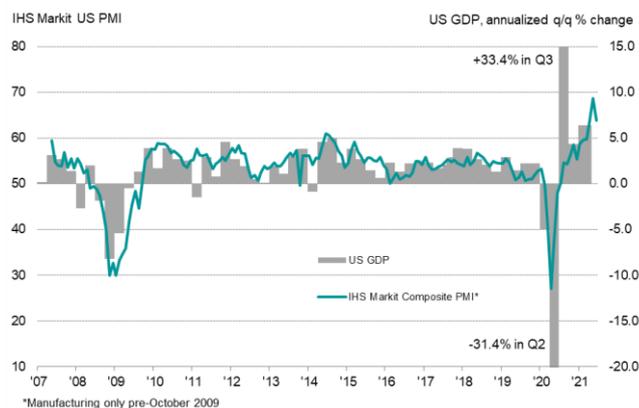
Substantial expansion in private sector activity, but delivery delays stymie manufacturing growth

Key findings:

- Flash U.S. Composite Output Index at 63.9 (68.7 in May). 2-month low.
- Flash U.S. Services Business Activity Index at 64.8 (70.4 in May). 2-month low.
- Flash U.S. Manufacturing PMI at 62.6 (62.1 in May). Series record high.
- Flash U.S. Manufacturing Output Index at 59.2 (59.6 in May). 2-month low.

Data collected June 10-22

IHS Markit Composite PMI and U.S. GDP



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

U.S. private sector businesses registered a further marked expansion in activity during June, as further easings of COVID-19 restrictions boosted new orders. The rate of expansion softened slightly from the high seen in May, but remained substantial overall.

Adjusted for seasonal factors, the **IHS Markit Flash U.S. Composite PMI Output Index** posted 63.9 in June, down from 68.7 in May, but nonetheless signalling a historically elevated rate of expansion

in output across the private sector. Moderations in activity growth were seen in both the manufacturing and service sectors, with goods producers hampered in particular by significant supplier delays and both sectors reporting difficulties finding staff.

New business growth remained marked during June, despite easing to a three-month low. The rise in new orders was substantial among manufacturers and service providers alike, as COVID-19 restrictions were relaxed further and client demand remained buoyant. At the same time, firms reported another strong monthly upturn in new export orders amid looser containment measures in key export markets.

Price pressures also remained elevated in June. The rate of input price inflation softened slightly but was the second-fastest on record. Manufacturers continued to note rapid increases in raw material and fuel costs, whilst service providers highlighted higher wage bills to attract workers plus greater transportation fees and fuel costs.

Higher costs were commonly passed on to clients through a steep rise in output charges during June. The increase in selling prices was the second-sharpest since data collection began in October 2009.

Employment issues remained prevalent during June, as numerous panellists mentioned difficulties finding suitably trained candidates for current vacancies. Although the rate of job creation remained strong overall, growth in backlogs of work was also among the highest seen over the past decade.

Business confidence ticked higher in June, as firms remained broadly upbeat regarding the outlook for

output over the coming 12 months. Optimism was widely linked to strong client demand and the further reopening of the economy following mass vaccination.

IHS Markit Flash U.S. Services PMI™

The seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index** registered 64.8 in June, down from May's series record of 70.4. The marked expansion was the second-sharpest since data collection began in October 2009, and reportedly due to further upturns in customer demand as pandemic conditions eased further during the month.

Service sector activity was supported by a further significant rise in new business. Although slower than that seen in May, the rate of growth was among the quickest in the series history and was linked to robust demand conditions. New export order growth likewise remained strong, with some firms attributing this to looser travel restrictions.

Meanwhile, struggles among companies to find suitable workers hampered employment growth in June. Although strong, the rate of job creation was the slowest for three months. Pressure on capacity was reflected in a solid rise in backlogs of work.

At the same time, inflationary pressures remained elevated in June. Service providers stated that wage costs and additional transportation fees pushed up cost burdens, which rose at the second-fastest pace on record. Similarly, output prices increase markedly as firms sought to pass on greater input costs to clients.

Service sector businesses registered a slight moderation in the degree of optimism in June, with some concerned about the impact of rising inflation over the coming months.

IHS Markit Flash U.S. Manufacturing PMI™

June data signalled the greatest improvement in operating conditions among goods producers on record, as highlighted by the **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**¹ posting 62.6, up from 62.1 in May.

Rates of output and new order growth remained well

above their respective series averages. However, there were reports that the softer rise in production among manufacturers was linked in part to supplier delays and difficulties finding suitable workers. Average supplier delivery times lengthened to the greatest extent on record by some margin.

Despite a substantial rise in backlogs of work, employment growth slowed in June as firms struggled to find staff or entice workers back to employment.

Amid worsening vendor performance, input prices soared once again at the end of the second quarter. The rate of input cost inflation accelerated to a fresh series record amid broad-based raw material price hikes. Firms raised their selling prices at a quicker rate in an effort to pass on these higher costs, with charge inflation also surpassing all previous records.

Unlike their service sector counterparts, goods producers expressed a greater degree of confidence in future output during June. Firms reportedly hope that an end to restrictions and further increases in customer demand will boost output over the next year.

Comment

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

"The early PMI indicators point to further impressive growth of the US economy in June, rounding off an unprecedented growth spurt over the second quarter as a whole.

"While both output growth and inflows of new orders have come off their peaks in both manufacturing and services, this is as much due to capacity constraints limiting firms' abilities to cope with demand rather than any cooling of the economy.

"Although price gauges have also slipped from May's all-time highs, it's clear that the economy continues to run very hot. Prices charged for goods and services are still rising very sharply, record supply shortages are getting worse rather than better, firms are fighting to fill vacancies and manufacturers' warehouse stocks are being depleted at a worrying rate as firms struggle to meet demand.

"While the second quarter will likely represent a peaking in the pace of economic growth, a concomitant peaking of inflation is far less assured."

-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 June data are published on July 1 2021 for manufacturing and July 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.

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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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