

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 0945 (EST) / 1445 (UTC) 22<sup>nd</sup> January 2021**

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

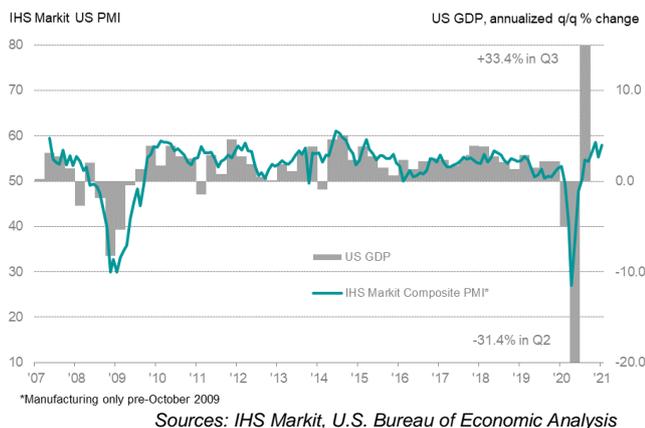
### Sharp expansion in business activity in January, despite substantial supply-chain disruption

**Key findings:**

- Flash U.S. Composite Output Index at 58.0 (55.3 in December). 2-month high.
- Flash U.S. Services Business Activity Index at 57.5 (54.8 in December). 2-month high.
- Flash U.S. Manufacturing PMI at 59.1 (57.1 in December). Series record high.
- Flash U.S. Manufacturing Output Index at 60.5 (58.3 in December). 77-month high.

Data collected January 12-21

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



Private sector businesses in the U.S. indicated a strong start to 2021, as output and new orders rose further. Rates of expansion in business activity accelerated at manufacturers and service providers, with goods producers registering the sharpest upturn in output since August 2014.

Adjusted for seasonal factors, the **IHS Markit Flash U.S. Composite PMI Output Index** posted 58.0 in January, up from 55.3 in December. The private sector seemed to regain growth momentum at the start of 2021, as the pace of increase quickened to

the second-fastest since March 2015.

At the same time, private sector businesses signalled another monthly increase in new business. That said, the overall rate of growth eased from that seen in December, as service providers indicated a slower expansion in new orders following a rise in virus cases and greater restrictions on business operations. Nonetheless, the upturn among manufacturers accelerated and was the steepest since September 2014.

Encouragingly, private sector firms signalled a renewed and solid rise in new export orders during January.

Meanwhile, inflationary pressures intensified as supplier delays and shortages pushed input prices higher. The rate of input cost inflation was the fastest on record (since October 2009), as soaring transportation and PPE costs were also noted. A number of firms were able to partially pass-on greater cost burdens, however, as the pace of charge inflation quickened to a steep rate. The impact was less marked in the service sector as firms sought to boost sales, but manufacturers registered the sharpest rise in selling prices since July 2008.

Backlogs of work stagnated across the private sector, as the rate of job creation eased to only a modest pace. Goods producers, however, indicated the quickest increase in employment for two years, with challenging demand conditions in the service sector weighing on overall hiring.

Nevertheless, private sector business confidence picked up in January. Hopes that the vaccine roll-out will be a success and business conditions will improve by the second half of 2021 were overwhelmingly linked to greater optimism.

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

The seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index** registered 57.5 in January, up from 54.8 at the end of 2020. The rise in output was often linked to another monthly increase in customer demand. The rate of expansion was the second-sharpest since March 2015 and steep overall.

That said, the pace of new business growth softened at the start of 2021 as restrictions placed on firms due to the ongoing coronavirus disease 2019 (COVID-19) pandemic dampened demand. The upturn was solid, however, with new business from abroad returning to growth.

The rate of input price inflation ticked up further in January, amid higher transportation and PPE costs. The rate of increase was the fastest on record (since data collection began in October 2009). Although firms sought to pass on part of the price hikes to their clients, many limited charge inflation to ensure they were not uncompetitively priced.

In line with a fractional reduction in backlogs of work, the pace of job creation eased across the service sector. The rate of employment growth was only marginal, as some firms mentioned cost cutting efforts and difficulties finding suitable replacements.

Business optimism improved, however, as firms hoped for a speedy vaccine roll-out and a reduction in restrictions on movement.

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

Manufacturing firms signalled the sharpest improvement in operating conditions on record in January, as highlighted by the **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**<sup>1</sup> posting 59.1, up from 57.1 in December. Alongside stronger expansions in output and new orders, the headline figure was driven up by another substantial deterioration in vendor performance.

January data signalled a robust upturn in manufacturing production that was the steepest since August 2014, as new orders rose markedly. Stronger demand from new and existing customers was reportedly behind the expansion, with some

clients reportedly committing to orders previously placed on hold. New export orders also rose at the quickest rate since September 2014.

Meanwhile, significant supply chain delays, raw material shortages and evidence of stockpiling at goods producers pushed input prices up. The rate of cost inflation was the fastest since April 2018, with firms raising output charges at the sharpest pace since July 2008 in an effort to partially pass on higher cost burdens to clients.

Greater demand and another monthly rise in backlogs of work led to a quicker increase in employment in January. The rate of job creation was the sharpest for two years and strong overall.

Finally, the degree of business confidence remained strong at the start of 2021, albeit slightly softer than that seen in December. Caution largely stemmed from ongoing global economic uncertainty.

## Comment

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

*"US businesses reported a strong start to 2021, buoyed by hopes that vaccine developments will mean the worst of the pandemic is behind us, and that the new administration will provide a stable and supportive environment for stronger economic growth. Output growth accelerated in January to the second-fastest in almost six years, and business optimism about the year ahead surged higher. Over the past three months, business sentiment has been running at its highest since the start of 2015.*

*"However, capacity constraints are biting amid the growth spurt. Not only have the last two months seen supply shortages develop at a pace not previously seen in the survey's history, but prices have also risen due to the imbalance of supply and demand. Input cost inflation consequently also hit a survey high and exerted further upward pressure on average selling prices for goods and services.*

*"There was also disappointing news on the labour market, as near-term concerns over the impact of the pandemic, notably on demand for consumer-facing services, and rising costs led to the weakest employment reading since July."*

-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 January data are published on February 1 2021 for manufacturing and February 3 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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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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