

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 0945 (EST) / 1445 (UTC) 23<sup>rd</sup> November 2021**

## IHS Markit Flash US Composite PMI™

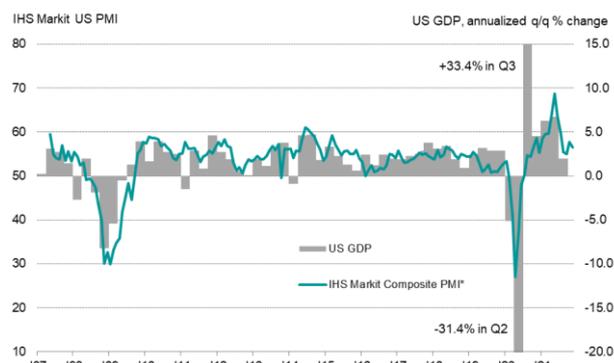
### Private sector expansion remains marked despite growth being stymied by labour shortages and material delays

**Key findings:**

- Flash US Composite Output Index at 56.5 (57.6 in October). 2-month low.
- Flash US Services Business Activity Index at 57.0 (58.7 in October). 2-month low.
- Flash US Manufacturing PMI at 59.1 (58.4 in October). 2-month high.
- Flash US Manufacturing Output Index at 53.9 (52.1 in October). 2-month high.

Data collected November 12-22

#### IHS Markit Composite PMI and US GDP



\*Manufacturing only pre-October 2009

Sources: IHS Markit, US Bureau of Economic Analysis

US private sector firms signalled a sharp upturn in business activity during November, despite the rate of expansion slowing from October. Softer overall growth was largely led by the service sector, as manufacturers posted a slightly stronger increase in production. Nevertheless, pressure on capacity remained stark as labour and material shortages weighed on the private sector.

Adjusted for seasonal factors, the **IHS Markit Flash US Composite PMI Output Index** posted 56.5 in

November, down from 57.6 in October. Although stronger than the lows seen in August and September, rising prices, poor input availability and challenges finding suitable candidates for vacancies reportedly held back the overall expansion.

New business growth remained buoyant in November, despite some companies highlighting slower demand conditions compared to earlier in the year. The rate of upturn was broadly in line with the historic average, with manufacturers registering a sharper rise in new orders. New export business returned to growth in November, as goods producers and service providers saw sales from abroad increase.

The level of outstanding business rose at the second-sharpest pace on record (since October 2009), slipping only slightly from October's series high. Both manufacturing and services recorded marked upturns in backlogs of work amid further severe supply chain delays and labour shortages. The rate of job creation was solid overall, but many firms noted outstanding vacancies which had not been filled for several months.

At the same time, the rate of input price inflation reached a new series high midway through the final quarter. Sharper increases in cost burdens at both manufacturers and service providers led to soaring prices, with a vast range of materials reported as having risen in cost. The pace of selling price inflation matched October's series record high, as firms sought to pass on greater costs to their customers.

Meanwhile, business confidence ticked higher. A sustained period of strong client demand, further

easing of COVID-19 restrictions and the acquisition of new customers supported optimism.

### IHS Markit Flash US Services PMI™

The seasonally adjusted **IHS Markit Flash US Services PMI™ Business Activity Index** fell to 57.0 in November, down from 58.7 in October. Nevertheless, service sector firms signalled a sharp upturn in output, with the rate of expansion remaining historically elevated. Many firms noted that the uptick in business activity was supported by greater travel both domestically and internationally and the further easing of COVID-19 restrictions.

New business rose solidly in November, as firms acquired new clients and new projects. That said, the pace of increase slowed to be among the slowest since August 2020. Total sales were boosted by a renewed expansion in new export orders, however.

Inflationary pressures continued to soar midway through the fourth quarter, as the rate of increase in input prices quickened to a six-month high. A combination of marked supplier price hikes and vast increases in wage bills reportedly drove cost burdens up. Firms were able to partially pass on higher costs though, as the rate of charge inflation reached a fresh series high.

Meanwhile, pressure on capacity persisted amid labour shortages, with backlogs of work rising at the second-fastest pace on record. Firms sought to expand their workforce numbers, but employment growth was held back by challenges finding suitable candidates.

### IHS Markit Flash US Manufacturing PMI™

The health of the manufacturing sector improved at a steeper pace in November, as highlighted by the **IHS Markit Flash US Manufacturing Purchasing Managers' Index™ (PMI™)**<sup>1</sup> picking up to 59.1 midway through the final quarter, up from 58.4 in October. That said, production continued to be hampered by raw material delays and labour shortages, with vendor performance deteriorating substantially yet again.

Nonetheless, the rise in output accelerated from October, as inflows of new orders expanded at a sharper pace. As numerous critical components remained in short supply, many goods producers

noted dwindling stocks of finished goods, with post-production inventories falling at the quickest pace since May 2020. A sustained period of marked upturns in input purchasing led to a strong increase in pre-production inventories. Some companies noted that stocks of common items were boosted to avoid future shortages.

Subsequently, the severe lengthening of input delivery times led to an acceleration in the accumulation of backlogs of work in November. A high turnover of staff and challenges hiring suitable workers exacerbated pressure on capacity, with employment rising at the slowest pace in 2021 so far.

In line with difficulties sourcing inputs and finding affordable transportation for goods, cost burdens rose at a series record pace in November (since May 2007). In an effort to pass on higher costs to customers, firms increased their selling prices at the second-steepest pace in over 14-and-a-half years of data collection.

Finally, output expectations for the year ahead strengthened to the highest for three months amid hopes of increased stability across labour markets and supply chains.

### Comment

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

*"The US economy continues to run hot. Despite a slower rate of expansion of business activity in November, growth remains above the survey's long-run pre-pandemic average as companies continue to focus on boosting capacity to meet rising demand.*

*"However, the slowdown underscores how the economy is struggling to cope with ongoing supply constraints. Although supplier delivery delays eased to the lowest for six months, the lengthening of lead times remains far greater than anything seen prior to the pandemic, restricting output relative to demand and once again causing prices to rise sharply.*

*"Input cost inflation spiked sharply higher in November to reach a new survey high, adding to pressure for firms to pass the recent surge in costs on to customers in order to protect margins. Although some resistance to higher prices was seen in the survey responses, serving to dampen demand growth to the slowest for nearly a year, average prices charged for goods and services continued to rise at an unprecedented rate."*

-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 November data are published on December 1 2021 for manufacturing and December 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 US 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 US service sector. IHS Markit began collecting monthly PMI data in the US 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 US Services PMI complements the IHS Markit US Manufacturing PMI and enables the production of the IHS Markit US 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 US electronics goods producing sector. In May 2007, IHS Markit's US PMI research was extended out to cover producers of metal goods. In October 2009, IHS Markit's US Manufacturing PMI survey panel was extended further to cover all areas of US manufacturing activity. Back data for IHS Markit's US 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 US manufacturing economy. IHS Markit's total US 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 US 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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