

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

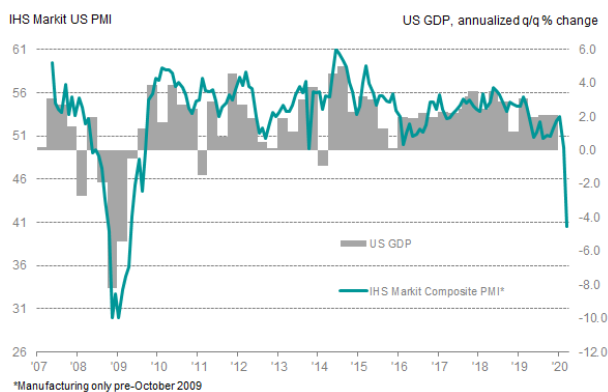
Output drops at fastest rate for over a decade as coronavirus hits

Key findings:

- Flash U.S. Composite Output Index at 40.5 (49.6 in February). New series low.
- Flash U.S. Services Business Activity Index at 39.1 (49.4 in February). New series low.
- Flash U.S. Manufacturing PMI at 49.2 (50.7 in February). 127-month low.
- Flash U.S. Manufacturing Output Index at 47.6 (50.7 in February). 127-month low.

Data collected March 12-23

IHS Markit Composite PMI and U.S. GDP



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

U.S. private sector firms indicated a marked contraction in overall business activity in March following the escalation of the coronavirus disease 2019 (COVID-19) outbreak. The overall decline was the steepest recorded since comparable survey data were available in October 2009, and reflected widespread falls in activity across the manufacturing and service sectors.

Adjusted for seasonal factors, the **IHS Markit Flash U.S. Composite PMI Output Index** posted 40.5 in March, down from 49.6 in February, to signal a

second successive contraction in output.

The composite index is based on original survey data from IHS Markit's PMI surveys of both services and manufacturing. The service sector signalled an especially steep downturn in business activity, while manufacturers registered the sharpest drop in output since August 2009.

Companies also reported the first contraction of new business since data collection began. The marked decrease in new orders stemmed from sharp falls in client demand following the outbreak of COVID-19, according to panel members. Lower customer demand was also reflected in falling new export orders, with key export partners shutting down or limiting the size of their orders. Manufacturers and service providers both noted a drop in total new business, with the latter once again seeing the sharper rate of decline.

Firms meanwhile reduced their workforce numbers at the fastest pace since December 2009 in March. The decline in employment partly stemmed from a sharp fall in the level of outstanding business, with a number of businesses noting that customers were putting orders on hold until further notice due to COVID-19.

March data also indicated a weakening of inflationary pressures, as both average input prices and output charges fell at U.S. private sector firms. The decline in selling prices was the fastest in the ten-and-a-half year series history, as manufacturers and service providers both cut their prices to boost sales.

Looking ahead, companies were generally optimistic that business activity would increase over the coming year. However, the degree of business confidence was by far the lowest ever recorded by the survey, as firms expressed concerns regarding

the longevity of shutdowns and the ongoing impact of the coronavirus outbreak.

IHS Markit Flash U.S. Services PMI™

The seasonally adjusted **IHS Markit Flash U.S. Services PMI™ Business Activity Index** registered 39.1 at the end of the first quarter, down from 49.4 in February, and signalling the fastest contraction in business activity in the ten-and-a-half year series history.

Driving the downturn in output was a steep fall in new business. The decrease in sales was the quickest since data collection began in late-2009, as both domestic and foreign client demand weakened. Companies highlighted challenging conditions across the services sector, especially in travel and tourism and other consumer-facing industries.

Employment fell at the sharpest pace since last October, as firms struggled to retain workers amid a reduction in business activity and a steep fall in backlogs of work. Meanwhile, companies expect output to be unchanged over the coming 12 months as COVID-19 uncertainty weighed on confidence, representing the gloomiest outlook yet recorded by the survey by a wide margin.

In line with weak demand for inputs and services, both input prices and output charges decreased in March.

IHS Markit Flash U.S. Manufacturing PMI™

Manufacturers registered the fastest deterioration in operating conditions since the depths of the financial crisis in March, as signalled by a fall in the **IHS Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**¹ from 50.7 in February, to 49.2 at the end of the first quarter.

Note that the headline PMI was buoyed by longer supplier delivery times (which are normally a sign of improving demand). Steep rates of contraction were signalled for production and new orders, both of which fell to the greatest extent since 2009, with many firms linking this to the escalation of preventative measures following the outbreak of COVID-19. Some companies have reported having to shutdown and give refunds where orders could not be fulfilled in time.

As a result, firms noted a subdued degree of confidence towards the coming 12 months, with optimism waning to the lowest since data collection began in July 2012 amid COVID-19 uncertainty.

In response to the reduction in new order volumes, firms shed workers at a solid rate in March. Although some stated that retained employees were working from home, others noted that a large proportion of their workforce were made redundant.

Input prices continued to rise as raw material shortages broadened out, but weak demand and discounting meant the overall increase was the weakest for almost three years.

Comment

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

"US companies reported the steepest downturn since 2009 in March as measures to limit the COVID-19 outbreak hit businesses across the country. The service sector has been especially badly affected, with consumer-facing industries such as restaurants, bars and hotels bearing the brunt of the social distancing measures, while travel and tourism has been decimated. However, manufacturing is also reporting a slump in demand, with production falling at a rate not seen since 2009, linked to either weak client demand, lost exports or supply shortages.

"Jobs are already being slashed at a pace not witnessed since the global financial crisis in 2009 as firms either close or reduce capacity amid widespread cost-cutting.

"The survey underscores how the US is likely already in a recession that will inevitably deepen further. The March PMI is roughly indicative of GDP falling at an annualised rate approaching 5%, but the increasing number of virus-fighting lockdowns and closures mean the second quarter will likely see a far steeper rate of decline."

-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.

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Note to Editors:

March data were collected 12-23 March 2020. The response rate for March was not affected by shutdowns in place due to the Covid-19 outbreak.

Final March data are published on April 1 for manufacturing and April 3 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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