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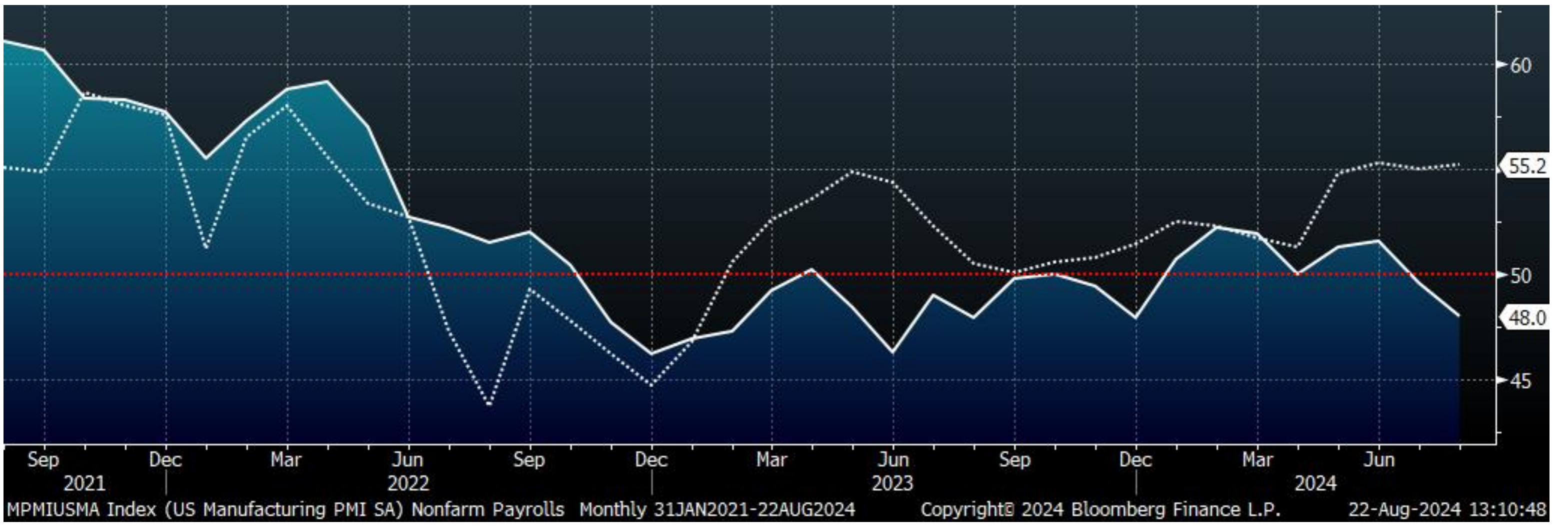
August 22, 2024

S&P Global Preliminary US PMIs

Takeaway:
Preliminary PMI data for August underscores the significant disparity between the service and industrial sectors of the U.S. economy. While manufacturing continues to face challenges and underperform, the larger services sector remains robust and is driving overall economic growth.

S&P Global US Manufacturing (solid) & Services (dotted) PMI



S&P Global US Manufacturing PMI dropped to 48 in August, down from 49.5 in July and missing market expectations of 49.5. This marks the second consecutive month of contraction and the sharpest rate of deterioration since December, with all five components of the PMI weakening.

- New orders declined at an accelerated pace, the steepest since December, leading to the first drop in factory production in seven months, as the output index fell to a 14-month low of 47.8.
- Employment growth nearly stalled, posting the smallest payroll gain since January driven by growing concerns about outlook.
- Suppliers' delivery times shortened to the greatest extent since February, with input buying by factories plummeting at the steepest rate for eight months.
- Inventories rose for the third time in four months, driven by weaker-than-expected sales leading to an accumulation of unfinished goods growing to the largest level recorded in the history of the survey.

S&P Global US Composite PMI dipped slightly to 54.1, a four-month low, from July's 54.3 but still above the forecasted 53.5. This marked the 19th consecutive month of expansion, indicating continued growth in business activity, albeit at a slower pace. The expansion was driven by the service sector, further widening the disparities between services and the struggling manufacturing sector.

- Prices for goods and services rose at their slowest pace since June 2020, signaling some relief on the inflation front, though input costs remain historically high.
- Future sentiment increased slightly from July's three-month low, driven by the service sector's confidence, which was bolstered by investments in new products, marketing, and hopes for lower interest rates and inflation. However, the manufacturing sector's outlook remained clouded by uncertainties surrounding the Presidential Election and future demand.

S&P Global US Services PMI edged up to 55.2 in August from 55, surpassing the anticipated fall to 54. This expansion, just below June's 26-month high, highlights the sector's robustness and ongoing resilience.

- New orders saw the second-largest rise in the past 14 months, reflecting strong demand.
- Employment dipped after two months of gains, primarily due to challenges in hiring and replacing staff.

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