Datanote: US S&P Global Composite PMI, June

In one line: Still humming along nicely.

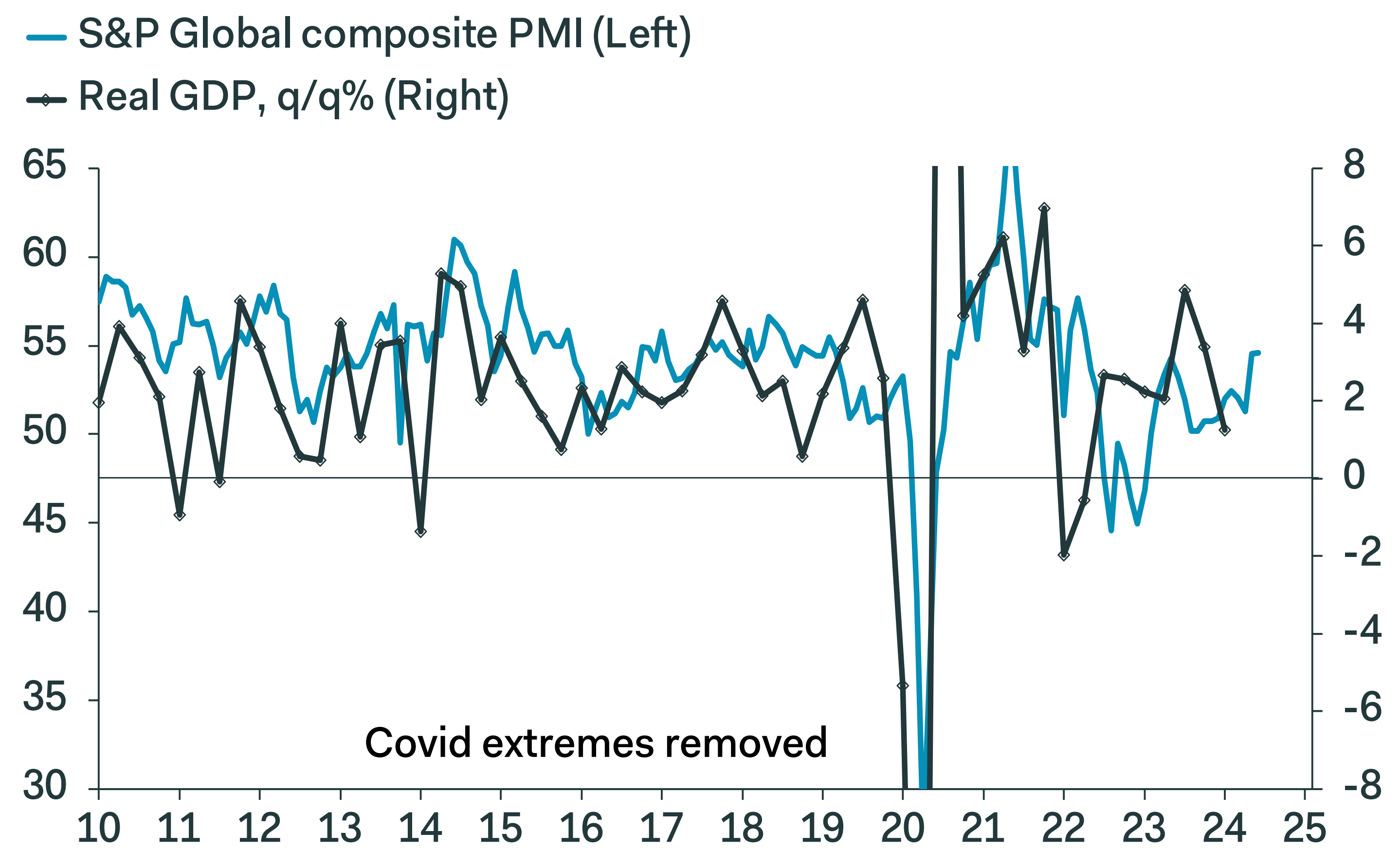
- The flash S&P Global US composite PMI rose trivially to 54.6 in June, from 54.5, a bit above the consensus, 53.5.

The further slight increase in the composite PMI this month leaves it a touch above the two-year high reached in May and provides some reassurance that growth is holding up reasonably well for now. The current level of the headline index is consistent, on past form, with quarterly growth of around 3% in Q2, although the index has had a poor track record over the past couple of years, and we think 2% is much more likely. One bright spot among the report's main components was the 1.7-point increase in the orders index, to 53.4 from 51.7, its highest level in roughly a year. At face value, the further uptick in the future activity index, to 67.5 from

67.0, points to further improvements ahead, but in practice this index has been stuck in a very narrow range for some time and probably tells us little. Both the manufacturing and services components improved this month.

The composite PMI's employment index rose again, to 51.7, from 49.9, and has now more than reversed the sharp drop in April, which triggered market fears about the near-term outlook for hiring. That drop in the employment index now looks like a false alarm when compared to hiring in the relevant categories of payrolls, even after allowing for the likelihood that the most recent payroll numbers are likely to be revised down. The hiring intentions index of the NFIB surveys, and the employment index of the ISM services index both picked up in May following their Q1 slumps, and we can't rule out an upturn in those two indexes this month. But the combined picture still looks weak, and growing pressure on companies from high interest rates, tight credit and slowing consumer demand means that we remain confident employment growth will show much clearer signs of slowing soon.

Finally, the prices indexes of the surveys were encouraging, with the input and output prices components of the composite PMI both falling by a bit more and remaining close to their pre-Covid levels, suggesting further disinflation ahead. We were braced for a small increase in the input prices component of the manufacturing PMI in particular, given the surge in global shipping costs of the past few months, but this index also fell in June, to a three-month low, which chimes with the lack of a pick-up in the equivalent measures in the Empire State and Philly Fed surveys. Some input price pressures could yet materialize, but with margins in most sectors still elevated and able to absorb some increase in costs, a bit more deflation in goods prices seems like a safe bet.


S&P Global composite PMI (Left)
Real GDP, q/q% (Right)
Covid extremes removed
65
60
55
50
45
40
35
30
8
6
4
2
0
-2
-4
-6
-8
10
11
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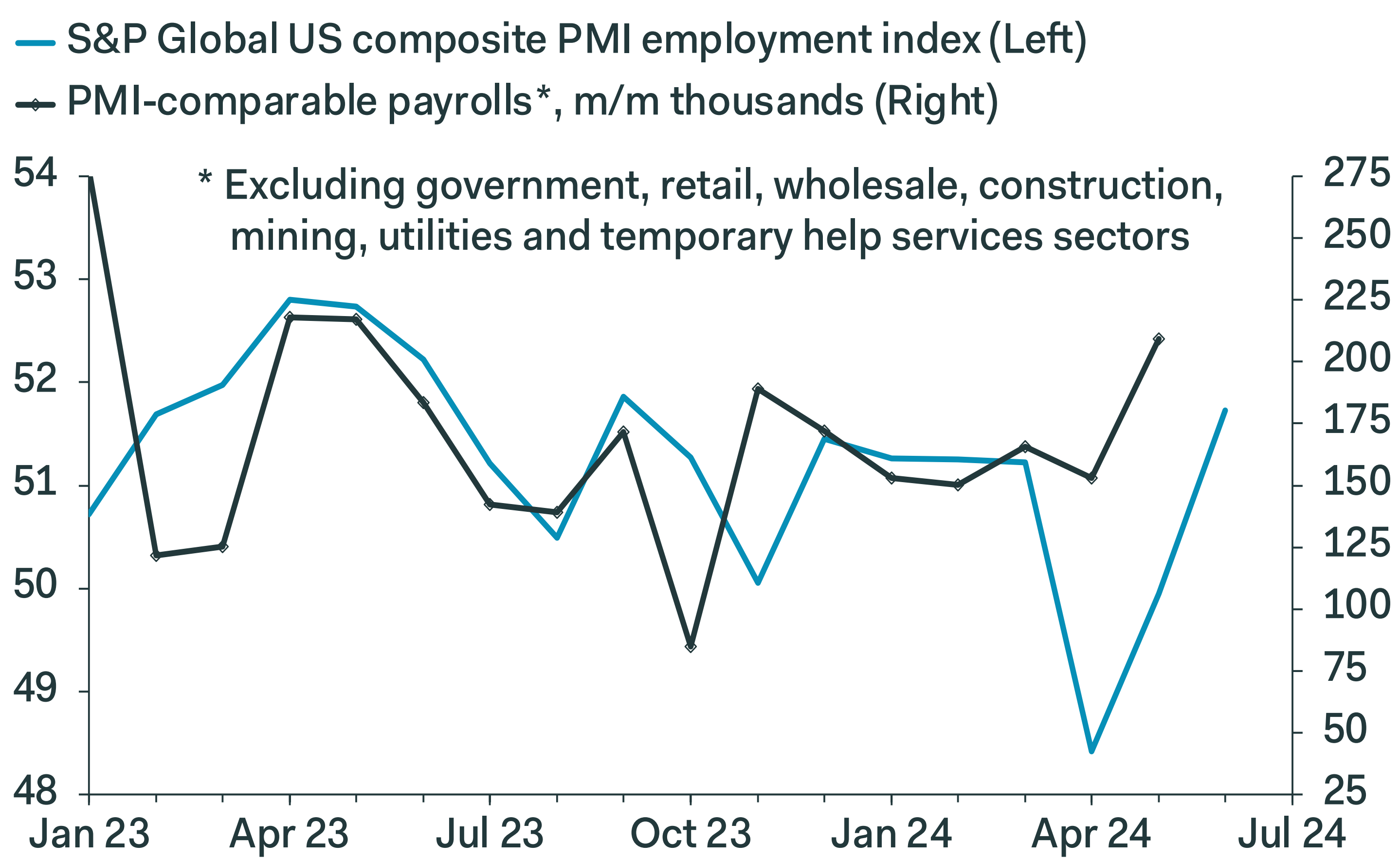
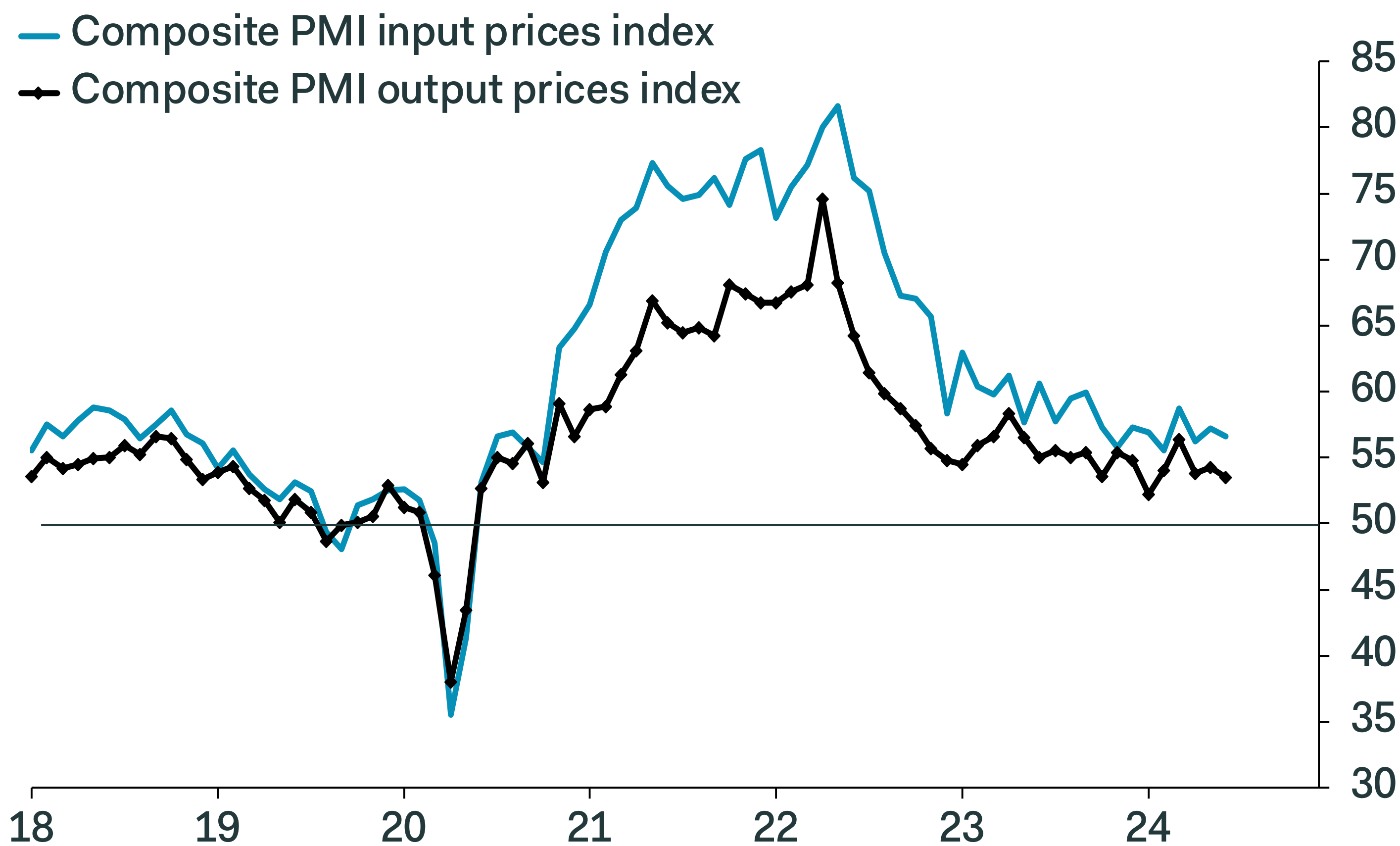
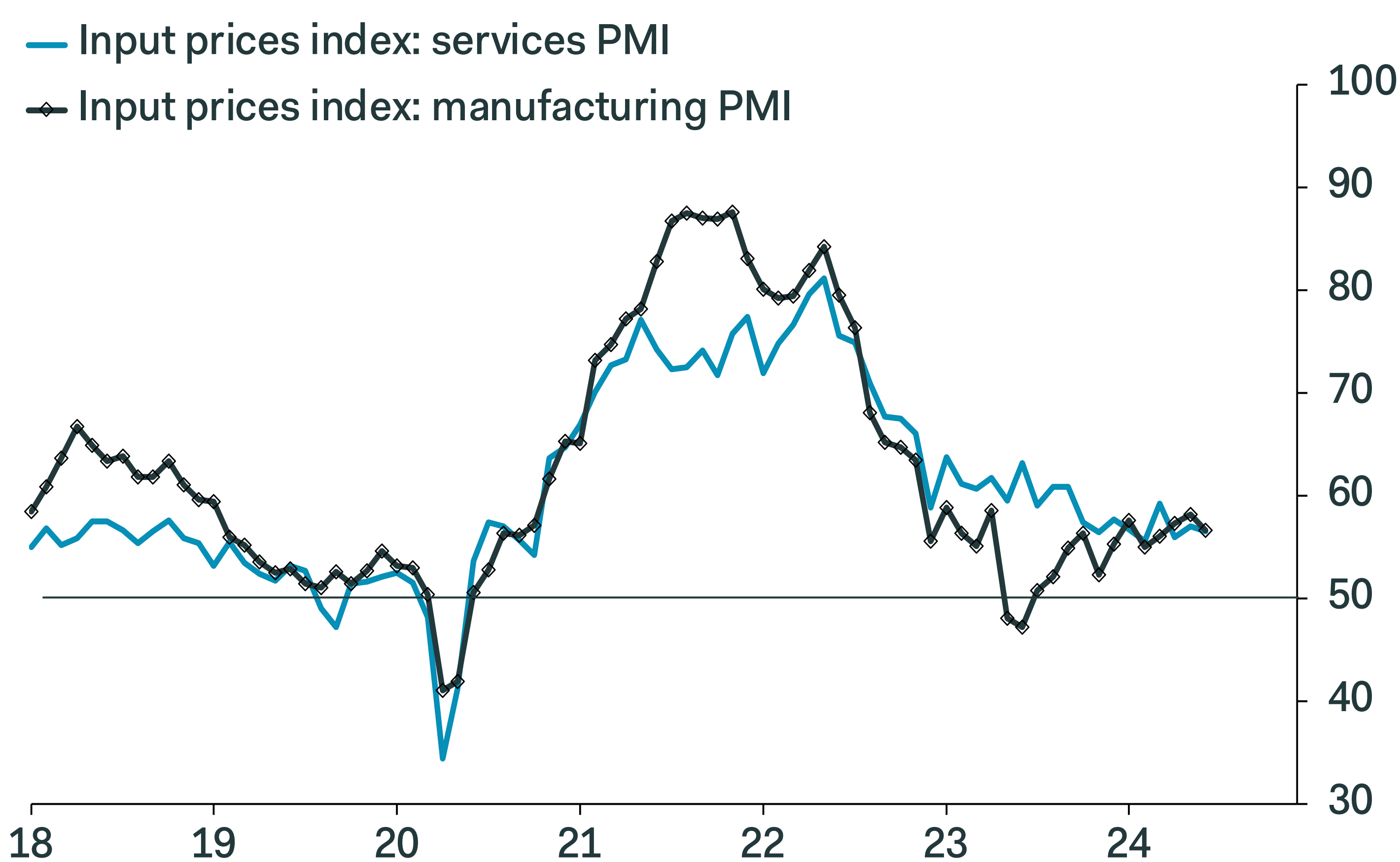

S&P Global US composite PMI employment index (Left)
PMI-comparable payrolls*, m/m thousands (Right)
* Excluding government, retail, wholesale, construction, mining, utilities and temporary help services sectors
54
53
52
51
50
49
48
275
250
225
200
175
150
125
100
75
50
25
Jan 23
Apr 23
Jul 23
Oct 23
Jan 24
Apr 24
Jul 24


Composite PMI input prices index
Composite PMI output prices index
85
80
75
70
65
60
55
50
45
40
35
30
18
19
20
21
22
23
24


Input prices index: services PMI
Input prices index: manufacturing PMI
100
90
80
70
60
50
40
30
18
19
20
21
22
23
24