Datanote: U.S. S&P Global Composite PMI, April 2024

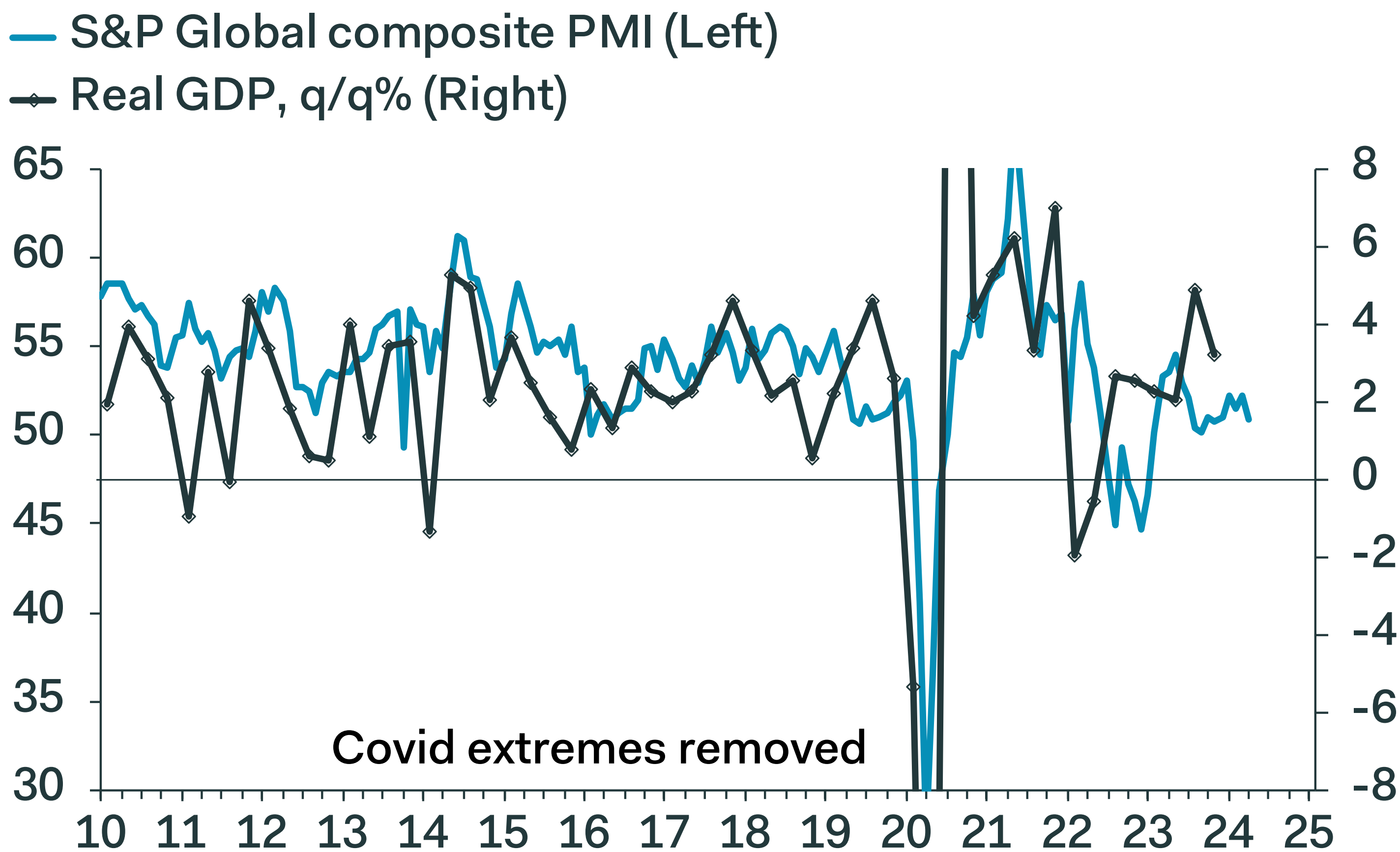
In one line: Yet another sign growth in payrolls is slowing sharply.

The composite PMI fell to 50.9 in April, from 52.1 in March, below the consensus, 52.0.

S&P's survey suggests that GDP is unlikely to continue to rise at Q1's rapid pace. Our first chart shows that the composite PMI is consistent with quarter-on-quarter annualized growth in GDP slowing to about 1.5% in Q2, from a probable rate of 2.6% in Q1. Admittedly, the composite PMI's track record is chequered—for instance, it incorrectly gave a recession signal in late 2022—but its slow growth message is echoed by most other business surveys and the commentary in the Beige Book.

Ominously, manufacturing and services firms reported that orders fell in April and they responded by reducing employment for the first time in almost four years. Our second chart shows that the employment index of the services survey plunged to 47.3, from 51.5 in March, and now is well below its average in the 2010s, 53.0. It signals a clear risk of an outright drop in private services payrolls, excluding the retail, wholesale, healthcare, utility and temporary help sub-sectors. True, S&P's index gave an excessively downbeat steer on payrolls in September and October 2019. Nevertheless, its current weakness should be taken seriously, given that it is mirrored by the hiring intentions index of the NFIB survey and the Challenger data on layoff announcements.

Meanwhile, the output prices indexes of S&P's survey suggest that the re-acceleration of the CPI in Q1 will prove to be just an extended blip. The output price index of the services survey fell to 54.0, from 56.4, consistent with the services ex-rents CPI rising at a 3.0% three-month-on-three-month annualized pace, down from 7.2% in March. In addition, the output price index of the manufacturing survey fell to 54.9, from 57.7, even though the input price index rose to a one-year high, consistent with manufacturers accepting tighter margins amid weakening demand. All told, then, S&P's survey reinforces the case for thinking markets will be caught out by how quickly the economic data swing to supporting the case for reducing interest rates soon.


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
12
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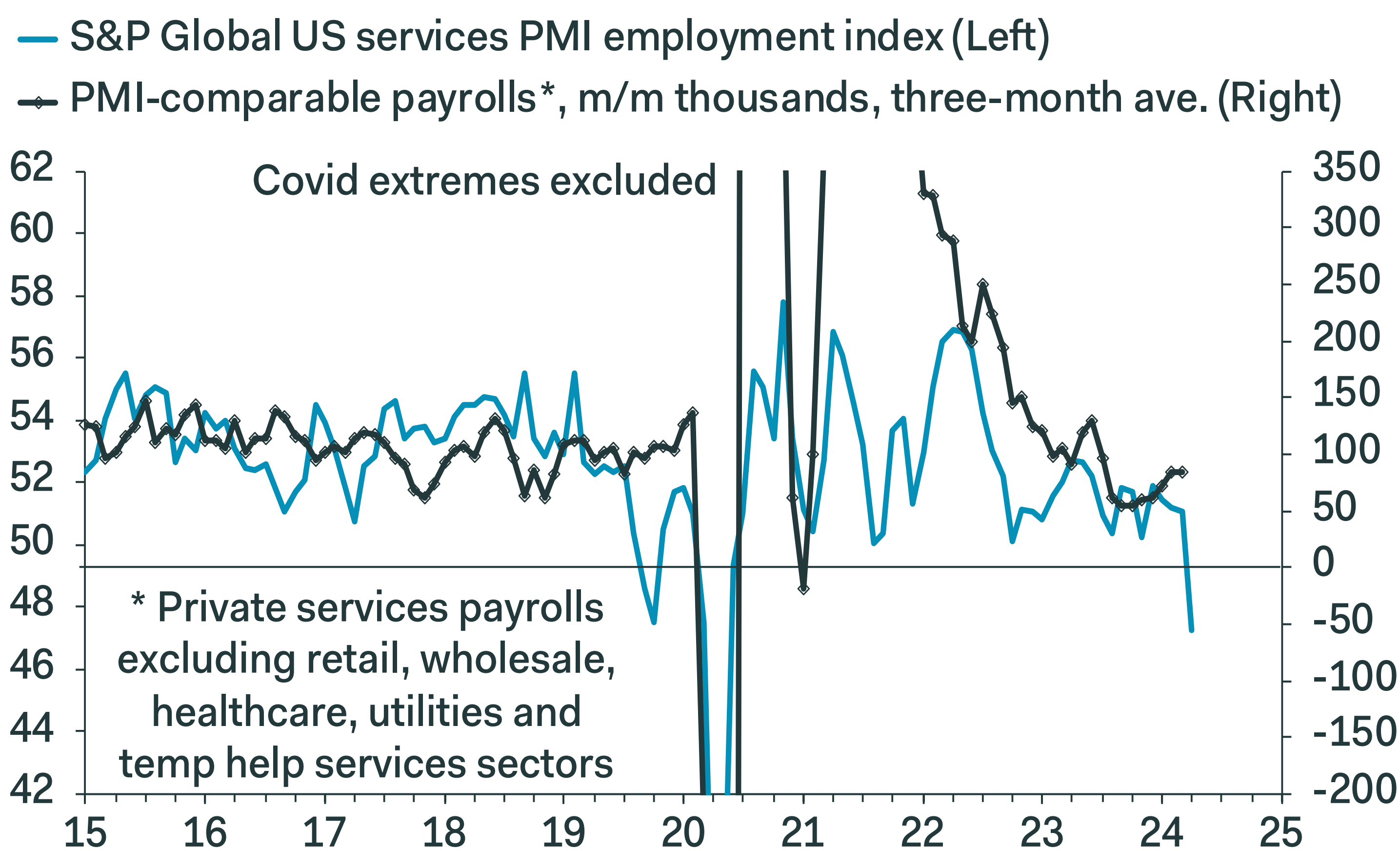
S&P Global US services PMI employment index (Left)
PMI-comparable payrolls*, m/m thousands, three-month ave. (Right)
Covid extremes excluded
* Private services payrolls excluding retail, wholesale, healthcare, utilities and temp help services sectors
62
60
58
56
54
52
50
48
46
44
42
350
300
250
200
150
100
50
0
-50
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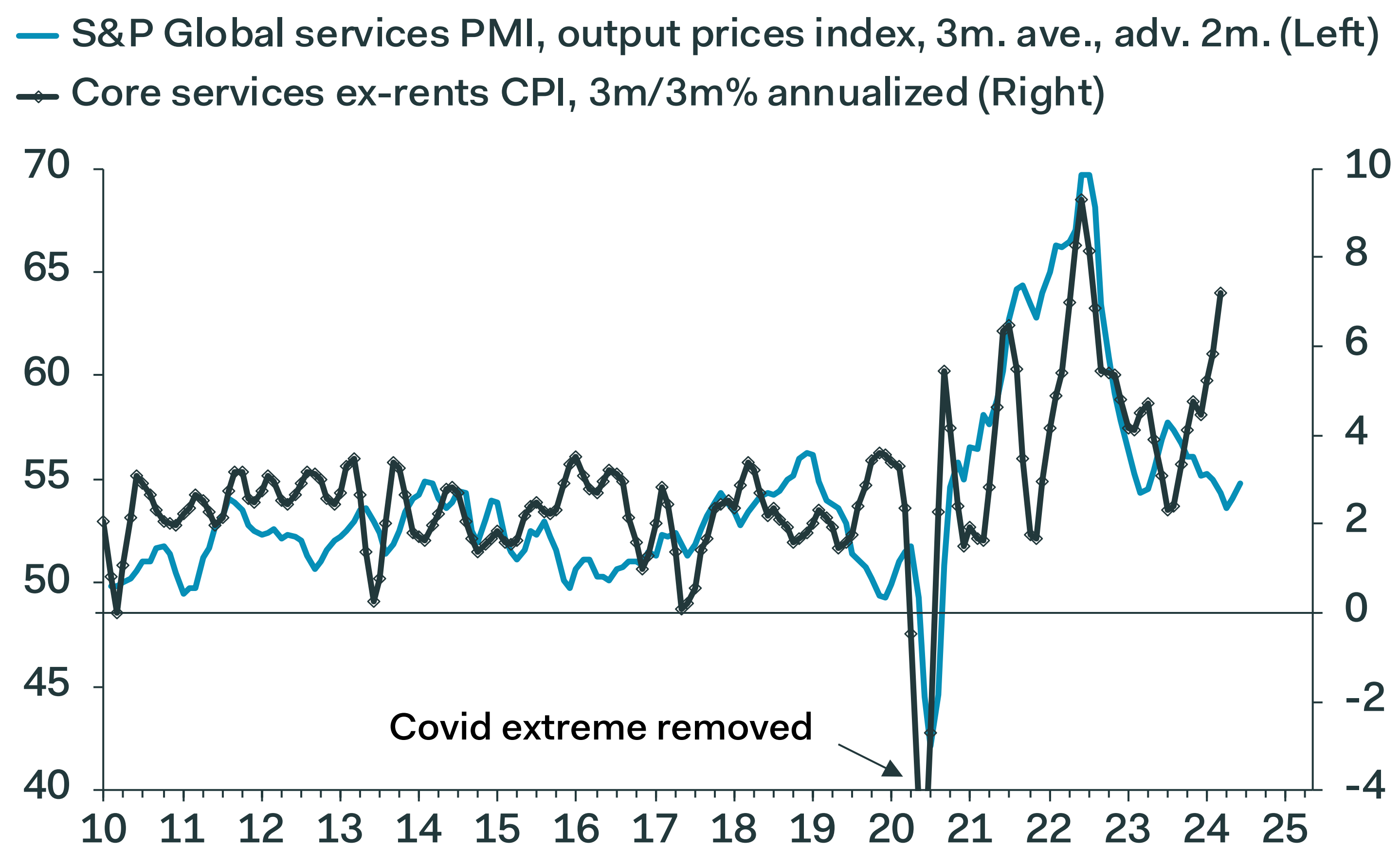
S&P Global services PMI, output prices index, 3m. ave., adv. 2m. (Left)
Core services ex-rents CPI, 3m/3m% annualized (Right)
70
65
60
55
50
45
40
10
8
6
4
2
0
-2
-4
Covid extreme removed
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25