

United States

US flash PMI signals further growth slowdown in March as Middle East war drives prices sharply higher

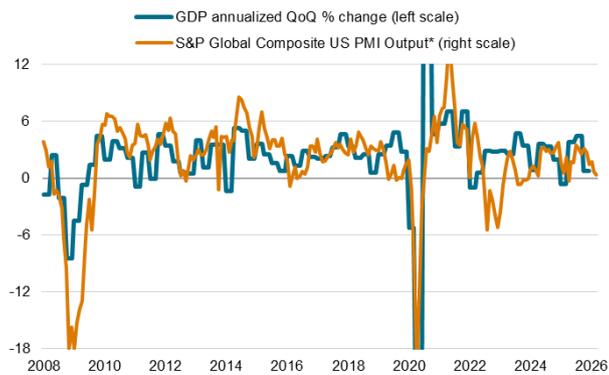
US business activity growth slowed to an 11-month low in March as businesses reported a weakening inflow of new orders and a spike in prices following the outbreak of war in the Middle East.

Growth slows as war breaks out

The headline Flash S&P Global US PMI Composite Output Index fell from 51.9 in February to 51.4 in March, its lowest since April of last year. Although above the 50.0 no-change level to signal an ongoing expansion of output, the March reading pointed to a slowing in the rate of growth for a second successive month to round off the economy's weakest quarter since the fourth quarter of 2023.

The March PMI data are indicative of GDP rising at an annualized rate of just 1.0%, with a modest 1.3% expansion signalled for the first quarter as a whole.

US quarterly GDP growth and the PMI



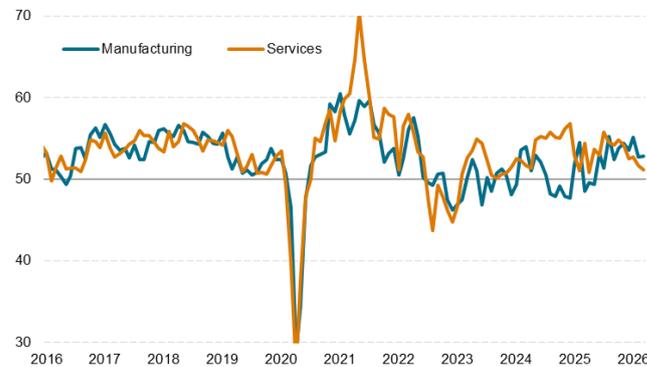
Data compiled March 24, 2026.
 * PMI covers manufacturing only prior to 2009 but manufacturing & services thereafter.
 Sources: S&P Global PMI, S&P Global Market Intelligence, BEA.
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The slowdown was led by the service sector, where business activity grew at the weakest pace for 11 months amid a weaker gain in in new work, the latter driven by a steepening rate of loss of export sales. Slower growth and falling orders, especially in terms of exports, were commonly blamed on subdued confidence among both consumers and business customers. A reticence to commit to additional projects and orders amid the increased

geopolitical uncertainty caused by the war in the Middle East reportedly compounded existing policy-related concerns over federal spending.

There was better news from manufacturing, where output growth accelerated slightly as new orders rose at their fastest rate for five months. Export orders stabilized after eight months of decline. Panelists indicated some softening of the tariff impact on order books, as well as instances of purchasing of safety stocks, with factories and their customers keen to lock in low prices and ensure supply availability.

US PMI output by sector



Data compiled March 24, 2026.
 PMI (Purchasing Managers' Index) 50 = no change on prior month.
 Source: S&P Global PMI.
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Supply delays and rising prices

War-related shipping issues were a key cause of longer supplier delivery times in March. Supply delays were more widely reported by manufacturers than at any time since October 2022, albeit with the incidence of delays far less widespread than seen during the pandemic.

US PMI manufacturing supplier performance



Data compiled March 24, 2026.
 PMI (Purchasing Managers' Index) 50 = no change, covers manufacturing only. Note inverted scale as this index is inverted when included in the headline PMI.
 Source: S&P Global PMI.
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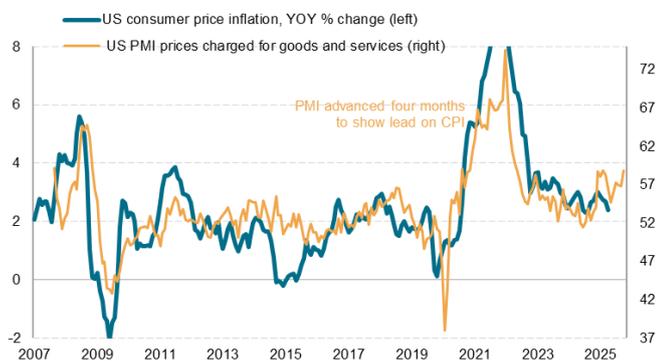
In addition to shipping-related disruptions due to the war, upward pressure on supplier lead times was also caused by an increase in purchasing by factories. Purchasing activity showed the largest monthly rise since last June, and one of the largest rises recorded over the past four years.

Prices paid for inputs meanwhile spiked higher, due principally to the energy price jump caused by the war. Overall average input costs rose at the fastest rate for ten months.

Higher costs were passed on to customers to generate the largest rise in selling prices in over three-and-a-half years. Rates charged for services rose on average at a rate not seen since August 2022, while goods prices rose at the sharpest rate for seven months.

The survey's price gauges meanwhile point to consumer price inflation accelerating back to around 4%. Alongside the slowing in growth signalled by the flash PMI, the survey data therefore hint at a growing risk of the US moving into a "stagflationary" environment.

US inflation



Data compiled March 24, 2026.
 PMI covers manufacturing only pre-2009 but manufacturing & services thereafter.
 Source: S&P Global PMI, BEA via S&P Global Market Intelligence.
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Employment trimmed amid cost caution

Employment fell for the first time in over a year as firms generally sought to reduce overheads in the uncertain

economic climate. Although only modest, the drop in employment was the first recorded since February 2025 and reflected a growing caution to add to headcounts across both manufacturing and services. Manufacturing employment rose at the weakest rate for eight months, while a drop in service sector staffing levels was reported for the first time in 2026.

US PMI employment indicators

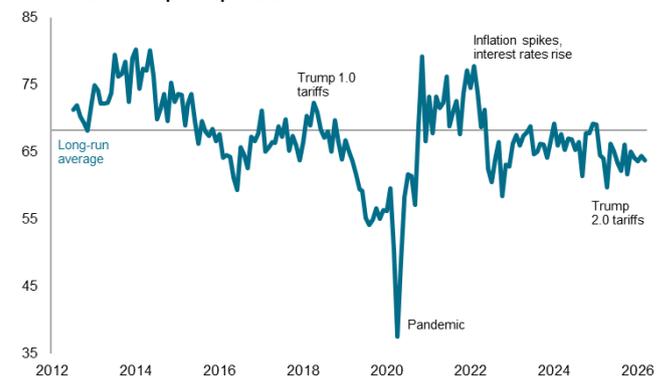


Data compiled March 24, 2026.
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Outlook dependent of war duration

Companies' expectations for output in the year ahead deteriorated slightly in March, albeit still running in line with the average seen over the past year to hint at some resilience in the business mood.

US PMI future output expectations



Data compiled March 24, 2026
 PMI 50 = no expected change over next 12 months, covers manufacturing and services.
 Source: S&P Global PMI.
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However, there were notable differences between sectors. In manufacturing, war-related concerns were countered by reduced worries over the adverse impact of tariffs and hopes of strengthening domestic demand for US-made goods, resulting in growth expectations improving to the highest for 13 months. In contrast, service providers signaled their weakest outlook since last October, commonly citing concerns over the impact of high energy prices on the cost of living, as well as higher interest rates, financial market worries and war-related disruptions to travel.

The Fed will therefore need to juggle these intensifying upside risks to inflation against the growing risk of the economy losing growth momentum, with much depending on the duration of the war and its impact on energy prices and global supply chains

Access the latest flash PMI press release [here](#).

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CONTACT US

Chris Williamson

Chief Business Economist
S&P Global Market Intelligence
London

T: +44 779 5555 061
chris.williamson@spglobal.com

The Americas

+1-877-863-1306

EMEA

+44-20-7176-1234

Asia-Pacific

+852-2533-3565

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