MORNING BRIEFING
March 4, 2021

Spring Is Coming

Check out the accompanying chart collection.

(1) Improving Covid-19 stats seed economic optimism. (2) "Uplyfting" data on ridesharing volumes. (3) Easy comparisons are around the corner. (4) More doors opening for business, and a few states lifting capacity restrictions. (5) Rallying stock and commodity markets telling us to fear not? (6) Most S&P 500 Industrials industry indexes have had a far better year than sector's performance suggests. (7) Farmers and Deere reaping profits. (8) Airlines' and Boeing's woes weighing on business for many an industrial conglomerate. (9) Hoping Biden will keep defense spending steady. (10) Deere explains how high-tech machines benefit farmers' bottom lines. (11) Eco-friendly street pavers.

Strategy I: Searching for Green Shoots. In New York, the sun is out, and the snow is melting. It's still cold, but the temperatures are moving in the right direction, and we're hopeful that March indeed will go out like a lamb. We're also hopeful that the declines in Covid-19 cases and rise in vaccinations will continue and help the economy start growing on its own, without trillions of dollars of federal aid. Let's take a look at some of the green shoots that have begun to appear:

(1) *Following the Covid data.* News has been good on the Covid-19 case front. The number of new positive tests, using a 10-day average, has fallen to 65,599, down from the January peak of 232,583. Hospitalizations are down as well, to 54,707 from the January peak of 130,386 (*Fig. 1*). And the test positivity rate has fallen to 4.5%, back to its lowest levels of last summer and fall (*Fig. 2*).

The numbers could certainly pop back up in the wake of Presidents' Day weekend, when test-taking may have slowed and vacationers hit the road and the airports. But any upward blip would likely be short term, as the number of people vaccinated is quickly increasing. More than 78 million doses have been given, inoculating 15.6% of the US population with at least one dose, according to data from the Centers for Disease Control and Prevention quoted in a March 3 NPR article. More than 1.9 million shots a day are currently being given, and President Biden has said that all adults will have access to vaccines by the end of May.

(2) *More riders need a Lyft.* Ridesharing company Lyft put out an 8K on Tuesday describing how its business had improved in recent weeks. Its average daily rider volume grew 4% m/m in each January and February. If the snow-filled week of February 21 is excluded from February's tally, the ridership increase jumps to 5.4% m/m. Lyft, which operates in the US and Canada, expects to see positive y/y ridership growth start during the week of March 15 and continue throughout the remainder of the year.

"People have been just locked up in their apartments and homes. We do expect that when it is safer for the economy to reopen, there [will be] a lot of pent-up demand. There's nothing left to stream. No one wants to eat another meal at home. And so we do expect we will see a strong resurgence in demand as people go back to their social lives," said Lyft CFO Brian Roberts in a March 2 CNBC interview.

(3) *More doors opening.* The Internet has proven that brick-and-mortar doors don't have to be open for consumers to make purchases, but it certainly doesn't hurt. And slowly but surely, more and more doors are open to customers and their wallets. All of Apple's US stores were open this week for the first time in almost a year, a March 1 article in 9to5Mac reported. Some allowed for pickups only and others required appointments, but they were all open to some extent. In addition to Covid concerns, some stores were closed because of looting and vandalism, the intense heatwave and wildfire smoke in California, and severe winter storms in Texas. It's been one heck of a year.

A few Republican governors are lifting restrictions in their states as well. All stores and businesses in Texas will be allowed to open on March 10 without capacity restrictions or mask-wearing requirements, the state's Governor Greg Abbott announced on Tuesday. The same day, Mississippi Governor Tate Reeves eliminated as of March 3 the mask-wearing mandate and all business-capacity restrictions in that state, a March 2 *WSJ* article reported.

Las Vegas casinos are expected to raise their capacity limit to 50% starting on March 15 but to continue mask-wearing requirements. Last weekend, 42% of North American theaters opened, up from 38% the prior week, according to Comscore data quoted by the *Journal*. And Bloomin' Brands—owner of Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill, and Fleming's Prime Steakhouse and Wine Bar—reported that 99% of its US restaurants are open with limited in-restaurant dining capacity, up from 85% as of December 27, according to a February 18 press release.

(4) *Market to investors: "Don't worry, be happy."* Perhaps the best indication that green shoots are ahead comes from the financial markets, which tend to anticipate earnings and economic growth about six months ahead of time. Outside of a few speculative areas that are selling off, the markets are signaling that everything's gonna be alright.

The S&P 500 is up 28.9% y/y through Tuesday's close (*Fig. 3*). Commodities, as measured by the CRB Raw Industrials index, are up 22.6% y/y (*Fig. 4*). The yield curve, as measured by the 10-year Treasury and federal funds target rate, has steepened to 135bps, up from its March 3, 2020 low of -61bps (*Fig. 5*). High-yield bond yields are at an all-time low (*Fig. 6*). Last but not least, the dollar has stopped falling in value (*Fig. 7*). Green shoots indeed.

Strategy II: Industrials Making Up for Lost Time. The government is printing money, consumers are spending like mad, and businesses are rebuilding inventories now that we've learned that just-in-time inventory management might be pennywise but pound foolish. This impressive trifecta has led to much stronger economic growth than expected, and companies in the S&P 500 Industrials sector are benefitting to a much greater extent than the sector's stock price index would imply.

The S&P 500 Industrials sector's stock price index is up 4.3% ytd and 23.0% y/y as of Tuesday's close, basically in step with the S&P 500's 3.0% ytd and 28.9% y/y increase but certainly not leading the market by any means. Here's the ytd performance derby for the stock price indexes of the S&P 500 and its 11 sectors through Tuesday's close: Energy (28.4%), Financials (12.3), Communication Services (6.3), Materials (4.4), Industrials (4.3), S&P 500 (3.0), Information Technology (1.6), Real Estate (1.3), Consumer Discretionary (0.2), Health Care (0.0), Utilities (-5.7), and Consumer Staples (-6.0) (*Fig. 8*).

The Industrials sector's middling performance ytd belies just how well some of the industries in the sector have performed. The stock price indexes of the following Industrials industries have risen almost twice as much ytd as the S&P 500: Agriculture & Farm Machinery (30.6%), Human Resource & Employment Services (24.2), Airlines (24.1), Construction Machinery & Heavy Trucks (14.8), Trucking (12.6), Building Products (7.4), and Electrical Components & Equipment (6.5). Weighing down the sector's ytd performance have been some of its largest industries: Industrial Conglomerates (2.8%), Industrial Machinery (2.6), Railroads (2.5) and Aerospace & Defense (1.5) (*Table 1*).

Let's take a deeper look at what's driving the mixed performance:

(1) *Old MacDonald expects a bumper crop.* US farmers are expected to have a banner year, planting more corn and soybeans than they have ever planted before. The prices of the two crops are at multi-year highs. The corn futures price is up 85% since its April 28 low in 2020 and hasn't been this high since mid-July 2013 (*Fig. 9*). Similarly, the soybean futures price is up 69% from its March 2020 low and last was this high in June 2014 (*Fig. 10*).

Chinese farmers who have been rebuilding their hog herd, which was wiped out in 2019 by African swine fever, have been big buyers. "As of last week, Chinese buyers had purchased 35.9 million tons of U.S. soybeans since the start of September—up nearly 24 million tons from the same period a year earlier," a February 25 *WSJ* article reported. Deere's CFO Ryan Campbell noted during the company's February 19 earnings conference call that sales of the company's machines benefitted from higher commodity prices, demand for home landscaping, and a modest recovery in the oil and gas sector.

Deere reported fiscal Q1 (ended January) earnings per share of $3.87, up 137.4% y/y and far above analysts' consensus forecast of $2.15 a share. The company also provided a net income estimate for fiscal 2021 (October) of $4.6-$5.0 billion, almost double last fiscal year's net income of only $2.8 billion.

Deere is the sole constituent of the S&P 500 Agricultural & Farm Machinery industry, and its shares have skyrocketed by 30.6% ytd and 114.4% y/y (*Fig. 11*). Analysts are optimistic about the company's future, collectively forecasting revenue growth of 21.0% this year and 10.0% in 2022 (*Fig. 12*). Earnings are expected to grow even faster, by 79.7% in 2021 and 15.4% next year (*Fig. 13*). The only problem: The company's stock price has risen much faster than its earnings projections, boosting its forward P/E to 21.1 (*Fig. 14*).

(2) *Airlines leave a large wake.* Both the airlines and airplane manufacturer Boeing had a tough 2020, dragging down many industries that are directly and indirectly dependent upon them. Many customers canceled orders for Boeing's 737 MAX jets last year, and those woes combined with the lack of tourists flying both at home and abroad hurt a large ecosystem of companies catering to the airline industry. GE and Honeywell, two of the four members of the S&P 500 Industrial Conglomerates industry, both have large exposure to the airline industry.

But hope for a revival is growing. President Joe Biden said on Tuesday that the country will have enough vaccines for all adults by the end of May. That's sure to give the airlines and the travel industry a shot in the arm.

Some airlines are bulking up their fleets before the expected resurgence of air traffic appears. United Airlines Holdings announced earlier this week that it is buying 25 new Boeing 737 MAX jets and moved up deliveries of planes that were originally scheduled for delivery in 2022 and 2023. And Ryanair Holdings and Alaska Air Group said in December that they will buy 75 and 68 new 737 MAX planes, respectively.

After a miserable 2020, when revenue in the S&P 500 Industrial Conglomerates industry declined by 11.8%, analysts are forecasting a 4.0% increase this year and a 5.4% pop in 2022 (*Fig. 15*). The improvement in the industry's earnings is expected to be even more impressive: 29.4% in 2021 and 22.8% in 2022 (*Fig. 16*). This industry's forward P/E may be overextended at 26.4 though, as it's higher than it has been since May 2001 (*Fig. 17*).

(3) *Trying to divine defense budgets.* While Boeing makes planes, its defense business places the company in the S&P 500 Aerospace & Defense industry. It's one of the few industries with a stock price index that's not trading at or near a new high. The industry's stock price index is up 1.5% ytd and down 9.8% y/y (*Fig. 18*).

In addition to the unfolding recovery at Boeing, analysts are uncertain about the direction of defense spending under a Biden administration; that direction could directly impact the revenues of the defense contractors in this industry. Liberals in Congress are expected to push for cuts in defense spending, but the Biden administration is likely to keep the defense budget unchanged. That would mean a second consecutive year that the defense budget doesn't keep pace with inflation, a February 23 article in Breaking Defense reported, citing sources familiar with the guidance.

The defense budget is scheduled to be released on May 3. We expect the administration's stance to prevail, as cuts in the budget are hard to imagine given the aggressive posture that China's navy has taken in the waters around Taiwan and the skirmishes between China's and India's armies at their border.

Analysts collectively are calling for the S&P 500 Aerospace & Defense industry's revenue to climb 11.3% this year and 6.6% in 2022, while they project its earnings will jump 55.5% and

30.8% this year and next (*Fig. 19* and *Fig. 20*). At 21.4, the Aerospace & Defense index's forward P/E is near its peak of 22.7 in January 2018 (*Fig. 21*). But as Boeing's delivery of more planes normalizes earnings, the P/E is likely to drop.

Disruptive Technology: Environmentally Friendly Farms and Roads. Large carbon-dioxide-spewing machinery is getting just a little greener thanks to new technology. We discussed how technology was invading the farm in our June 18 *Morning Briefing*: "Old MacDonald Gets a Robot." But Deere put some precise numbers on the benefit of adding tech to its farm machines and discussed equipment that repaves roads in a more environmentally friendly way.

Because of the precision technology being used on Deere farm machines, customers are saving money on fuel and fertilizer, using less water, reducing greenhouse gas emissions, and saving time. "A John Deere customer farming 6,500 acres in the Midwest can lower their greenhouse gas emissions on an annual basis by the equivalent of nearly 1 million passenger vehicle miles driven just by incorporating these technologies into their operations," said CFO Ryan Campbell on the company's February 19 earnings conference call. He added that lower costs and higher farm yields "can conservatively deliver savings of $40 per acre to our customers." Those savings bring down the payback period for the new Deere equipment to under two years.

Campbell also discussed repaving equipment that is much more environmentally friendly. Normally, repaving involves milling the old road and hauling away the material that is scraped up. New material is brought to the work site, and the road is paved. Deere's Wirten cold recycler uses the asphalt from the existing roadway. So after the road is milled, the old asphalt is mixed with additives and then reused to pave the road.

"This technology can increase the life of the roadway while utilizing 90% less material and reducing greenhouse gas emissions by the equivalent of 12 million passenger miles driven per job," Campbell said. That's one way to drive improvements in the environment.

CALENDARS

US: Thurs: Initial & Continuous Jobless Claims 750k/4.3m, Productivity & Unit Labor Costs -4.7%/6.6%, Factory Orders 2.1%, EIA Natural Gas Storage. **Fri:** Nonfarm Payrolls Total, Private, and Manufacturing 180k/194k/12k, Unemployment Rate 6.3%, Average Hourly

Earnings 0.2%m/m/5.3%y/y, Average Workweek 34.9hrs, Consumer Credit $12b, Trade Balance -$67.5b, Baker-Hughes Rig Count, Bostic. (DailyFX estimates)

Global: **Thurs:** Eurozone Retail Sales -1.1%m/m/-1.2%y/y, Eurozone Unemployment Rate 8.3%, Japan Consumer Confidence. **Fri:** Germany Factory Orders 0.7%, Canada Trade Balance -$1.4b US Budget Plan FY 2022. (DailyFX estimates)

STRATEGY INDICATORS

Stock Market Sentiment Indicators (*link*): The Bull/Bear Ratio (to 2.90 from 3.04) sank for the second week this week, falling below 3.00 for the first time in 17 weeks—with nearly all the bulls stampeding to the correction camp the past couple of weeks. Bullish sentiment sank 5.2ppts (to 53.9% from to 59.1%) the past two weeks, its fifth week below 60% after nine straight weeks above. The correction count jumped 4.7ppts (to 27.5% from 22.8%) over the two-week span to its highest reading since mid-September. Bearish sentiment (to 18.6% from 18.1%) has barely budged the past two weeks, though it was the highest percentage in 15 weeks. The AAII Ratio advanced for the fourth week last week, from 49.6% to 65.9%, with bearish sentiment falling from 38.3% to 23.8% the past four weeks and bullish sentiment slipping to 45.9% last week after climbing the prior two weeks from 37.4% to 47.1%.

S&P 500 Earnings, Revenues, Valuation & Margins (*link*): The S&P 500's forward profit margin hit 12.0% this week for its highest level in a year. The rapid pace of Covid-19 estimate cuts during the first half of 2020 has turned into a V-shaped recovery as analysts play catch-up from their lowball estimates prior to the better-than-expected earnings seasons since Q2-2020. Consensus S&P 500 forecasts had been falling at rates paralleling the declines during the 2008-09 financial crisis. Forward revenues is near its highest level since March 2020 and is just 0.2% below its record high in February 2020. Forward earnings is also at its highest level since March 2020 and is now 0.5% below its record high in early March. Forward revenues growth ticked down 0.1ppt w/w to 8.9% from a record high of 9.0%. Its prior record of 8.5% occurred during April 2010. Forward revenues growth has come a long way from the 0.2% it had dropped to in April 2020, which was the lowest reading since June 2009. Forward earnings growth this week ticked up 0.1ppt w/w to 21.9%. It had been at 22.8% at the end of January, its highest level since July 2010 and up substantially from its record low of -5.6% at the end of April. Analysts expect revenues to rise 9.5% in 2021 and 6.7% in 2022 compared to the 2.5% decline reported in 2020. They expect an earnings gain of 24.6% in 2021 and 15.3% in 2022 compared to a 12.6% decline in 2020. The forward profit margin rose 0.1ppt w/w to

12.0%; that's the highest reading since March 2020 and up 1.7ppts from 10.3% during April, which was the lowest level since August 2013. It's still down 0.4ppt from a record high of 12.4% in September 2018. Analysts expect the profit margin to rise 1.5ppt y/y in 2021 to 11.8%—from 10.3% in 2020—and to improve 0.9ppt y/y to 12.7% in 2022. Valuations ticked higher last week. The S&P 500's weekly forward P/E ticked down to 22.2 from 22.3 and remains close to its three-month low of 21.8 at the beginning of February. That compares to 23.1 in early September, which was the highest level since July 2000 and up from a 77-month low of 14.0 in mid-March. The S&P 500 price-to-sales ratio ticked down 0.01pt w/w to 2.66 from a record high of 2.67, which compares to its 49-month low of 1.65 in mid-March.

S&P 500 Sectors Earnings, Revenues, Valuation & Margins (*link*): Last week saw consensus forward revenues rise w/w for eight of the 11 S&P 500 sectors, but forward earnings rose for only five. Energy had both measures rise markedly w/w while Consumer Staples and Utilities had both fall. Forward P/E ratios for nearly all sectors now are back above their record or cyclical highs prior to the Covid-19 bear market. During 2019, just two sectors' margins improved y/y: Financials and Utilities. Consumer Staples, Tech, and Utilities were the only sectors with an improved profit margin in 2020. For 2021, all but Real Estate and Utilities are expected to improve y/y. The forward profit margin was at record highs during 2018 for 8/11 sectors, all but Energy, Health Care, and Real Estate. Since 2018, it has moved lower for nearly all the sectors. The forward profit margin rose for Energy, Real Estate, and Tech in the latest week, and ticked down for Communication Services and Consumer Discretionary. Real Estate has been improving since December's lowest level since January 2012 and Energy from its record low in April 2020. Here's how the sectors rank based on their current forward profit margin forecasts versus their highs during 2018: Information Technology (23.0%, down from 23.1% in February), Financials (17.1, down from 19.2), Communication Services (14.6, down from 15.4), Utilities (14.5, a new record high), Real Estate (13.5, down from 17.0), S&P 500 (12.0, down from 12.4), Materials (11.2, down from 11.6), Health Care (10.9, down from 11.2), Industrials (8.7, down from its record high of 10.5% in mid-December), Consumer Staples (7.6, down from 7.7), Consumer Discretionary (6.8, down from 8.3), and Energy (4.6, down from 8.0).

S&P 500 Sectors Forward Revenues and Earnings Recovery from Covid-19 Trough (*link*): The S&P 500's forward revenues and earnings, as well as its implied forward profit margin, bottomed at cyclical lows on May 28 after 14 weeks of Covid-19-related declines. Since then, S&P 500 forward revenues has risen 8.5%, forward earnings has gained 26.4%, and the forward profit margin has risen 1.8pt to a 12-month high of 12.0%. Among the 11 sectors, all but Consumer Staples, Health Care, and Utilities posted new post-Covid-19 highs during the latest week in either their forward revenues, earnings, or profit margin. The major laggards from their pre-Covid-19 highs: Energy, Consumer Discretionary, Industrials, and Real Estate. Here's how the 11 sectors rank by their changes in forward revenues and forward earnings since May 28: Information Technology (forward revenues up 14.3%, forward earnings up 20.8%), Materials (13.1, 43.4), Communication Services (12.9, 23.8), Industrials (10.4, 30.7), Financials (9.6, 39.0), Health Care (8.6, 18.0), S&P 500 (8.5, 26.4), Energy (5.3, 740.6), Consumer Staples (4.5, 10.9), Consumer Discretionary (2.5, 49.4), Real Estate (1.5, -3.6), and Utilities (-1.4, 3.1). Tesla's addition to the S&P 500 on December 21 caused revenue and earnings forecasts to fall for the index and the Consumer Discretionary sector. Before then, S&P 500 revenues were up 7.1% and earnings 19.6%. The similar readings for Consumer Discretionary then were 11.2% and 39.7%, which would have ranked the sector first in the revenues derby instead of near the bottom.

US ECONOMIC INDICATORS

ADP Employment (*link*): "The labor market continues to post a sluggish recovery across the board," said Nela Richardson, chief economist, ADP. "With the pandemic still in the driver's seat, the service sector remains well below its pre-pandemic levels; however, this sector is one that will likely benefit the most over time with re-openings and increased consumer confidence." Private payrolls expanded 117,000 in February, while revisions show January's gain (to 195,000 from 174,000) was larger and December's loss (-75,000 from -78,000) slightly smaller for a net gain of 24,000. Service-providing jobs rose 131,000 last month, led by gains in trade, transportation & utilities (48,000), health care & social assistance (32,000), leisure & hospitality (26,000), and professional & business services (22,000). Meanwhile, goods-producing jobs fell 14,000 after a 17,000 increase in January, led by a 14,000 drop in manufacturing payrolls and a 3,000 decline in construction jobs. Here's a tally of industry performances from strongest to weakest during the ten months through February, and where they stand relative to last February's levels: leisure & hospitality (+3.7 million & -4.0 million), trade transportation & utilities (+1.7 million & -1.4 million), health care & social assistance (+1.3 million & -792,000), other services (+744,000 & -531,000), construction (737,000 & -216,000), manufacturing (+710,000 & -592,000), administrative & support services (+645,000 & -903,000), professional & technical services (+253,000 & -280,000), education (+202,000 & -247,000), financial activities (+110,000 & -155,000), natural resources & mining (-14,000 & -66,000), management of companies & enterprises (-21,000 & -103,000), information services

(-38,000 & -301,000). Here's the same exercise by company size: large (+3.88 million & -5.44 million), small (+3.56 million & -1.81 million), and medium (+2.56 million & -2.34 million) businesses.

Auto Sales (*link*): Motor vehicle sales in February reversed course, falling to 15.9mu (saar) after accelerating from 15.9mu last November to 16.8 mu through January—back near last February's pre-pandemic level of 17.0mu. Domestic light-truck sales remained elevated but slowed to 9.7mu (saar) last month after climbing from 9.2mu in November to 10.2mu in January—which was the best light-truck sales since the summer of 2005 when aggressive incentives boosted these sales to 11.3mu. Meanwhile, domestic car sales remain in a rut, ticking down to 2.4mu (saar) in January—only 0.9mu above April's record low of 1.5mu. Sales of imports have virtually recovered their Covid-related declines, though slipped a bit to 3.8mu (saar) last month after jumping to 4.0mu (saar) in January—which was the highest since August 2009 and double April's cyclical low of 2.0mu.

GLOBAL ECONOMIC INDICATORS

Global Composite PMIs (*link*): Global economic activity in February accelerated for the first time in four months, while input prices accelerated at their fastest clip in 12.5 years. The JP Morgan Global Composite Output Index (C-PMI) climbed to 53.2 in February after easing from a 26-month high of 53.4 in October to 52.3 by January; it had increased steadily from April's low of 26.2 through October. The Global M-PMI (to 53.9 from 53.6) increased again in February after moving lower in January for the first time in nine months; it had rebounded steadily from April's record low of 39.6 to a 33-month high of 53.8 in November, holding at that level in December. Meanwhile, the NM-PMI (to 52.8 from 51.6) rose in February for the first time in four months after sliding 1.3 points during the three months through January; it had rebounded steadily from 23.7 in April to a 19-month high of 52.9 in October. The C-PMI for the advanced economies climbed for the second month to a 30-month high of 53.8, after easing from 52.8 in October to 52.0 in December; it was at 22.2 last April. Meanwhile, the C-PMI for the emerging economies slipped for the third month to a seven-month low of 52.0 in February, after climbing steadily from 34.6 last April to 54.9 in November. By country, the US (59.5) and India (57.3) were the two strongest economies in February, posting their best growth rates in six and a half years and nine years, respectively, while Australia (53.7), Russia (52.6), China (51.7), Italy (51.4), and Germany (51.1) also saw output rise. Meanwhile, the UK (49.6), Brazil (49.6), Japan (48.2), and France (47.0) and were among the economies posting contractions.

US Non-Manufacturing PMIs (*link*): The US service sector accelerated in February at its fastest pace since July 2014, according to the IHS Markit measure, while the sector slowed a bit, though to a still-robust rate, as measured by ISM. Both measures showed a sharp acceleration in prices! February's ISM's NM-PMI dipped to 55.3 after climbing steadily from 56.2 in October to a 23-month high of 58.7 in January; it's 13.7 points above April's 41.6 low. The new orders (to 51.9 from 61.8) gauge showed growth in billings slowed notably last month, while the business activity (55.5 from 59.9) measure remained at a robust, though slower, pace. Meanwhile, the employment (to 52.7 from 55.2) gauge showed factories continued to hire during the second month of 2021, though at a slower pace than January, after cutting payrolls at the end of last year. The supplier deliveries' (to 60.8 from 57.8) gauge moved back above 60.0, though continued its up-and-down pattern, with some of the recent increases reflecting the difficulties suppliers continue to experience due to the Covid-19 impact. In the meantime, price pressures intensified, with the price index (to 71.8 from 64.2) soaring above 70.0 in February, to its highest reading since September 2008. Switching to the IHS Markit NM-PMI measure, it showed the services sector accelerated for the second month, from 54.8 in December to 59.8 in February—the best performance since July 2014. The report notes that the expansion in output was the sharpest in over 6.5 years, supported by a marked increase in new orders as client demand picked up. However, despite the stronger growth, service providers registered only a fractional rise in hirings last month. Service providers noted that higher PPE prices have pushed their cost burdens up—with the rate of inflation now the highest in the history of the series going back to October 2009.

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