

News Release

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S&P Global US Manufacturing PMI™

April PMI rises to seven-month high amid stronger demand, despite sharper price increases

Key findings

Output growth quickens to fastest for nine months

Inflationary pressures strengthen

Stocks of purchases rise at series-record rate

Operating conditions improved markedly across the US manufacturing sector, according to April PMI™ data from S&P Global. The uptick in the headline figure was driven by a quicker expansion in output, a softer deterioration in vendor performance and a series-record rise in pre-production inventories. Although lead times lengthened further, severe material and capacity shortages at suppliers led to sharper increases in cost burdens and selling prices. Meanwhile, firms continued to hire additional staff to ease pressure on capacity, as backlogs of work rose at the slowest pace since February 2021.

At the same time, firms were strongly upbeat regarding the 12-month outlook for output, but concerns regarding inflation and geopolitical tensions pushed confidence to the lowest for six months.

The seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index™ (PMI™) posted 59.2 in April, up from 58.8 in March but lower than the earlier released 'flash' estimate of 59.7. The rate of overall growth accelerated for the third month running and was the sharpest since last September.

Contributing to the stronger upturn in the health of the manufacturing sector was a faster rise in output during April. Growth in production was linked to greater new order inflows and the delivery of materials which allowed capacity to expand. The pace of expansion was steep overall and the sharpest since July 2021.

New orders increased at a marked pace at the start of the second quarter, and at a rate broadly in line with that seen in March. Companies reported stronger demand conditions, with some noting that new sales expanded despite substantial rises in prices.

Meanwhile, new export orders grew at the fastest rate for almost a year. The expansion in new sales from abroad was attributed to greater demand in key export markets and the

US Manufacturing PMI
sa, >50 = growth since previous month



Source: S&P Global.
Data were collected 11-26 April 2022.

Comment

Chris Williamson, Chief Business Economist at S&P Global, said:

"After a slow start to the year, which saw production growth almost stall, the manufacturing sector is starting the second quarter on a much stronger footing. Demand from consumers and businesses is proving encouragingly robust despite severe inflationary pressures, which intensified further during April.

"Both input cost and selling price inflation surged higher, the latter accelerating to a near-record rate, as firms faced rising energy prices, ongoing supplier-driven price hikes amid strained supply chains, and rising wage costs.

"In short, while the survey data add to indications that the pace of economic growth will improve in the second quarter after a lacklustre first quarter, the less welcome news is that elevated inflationary pressures show no signs of relenting."

PMI™

by S&P Global

acquisition of new customers.

On the price front, input costs rose substantially and at the sharpest rate in four months. Higher cost burdens were attributed to greater material and supplier prices, notably increased transportation, fuel and metals expenses.

Firms continued to pass higher material and staff costs on to clients in April, as the rate of charge inflation accelerated. The increase in selling prices was the fastest since last October.

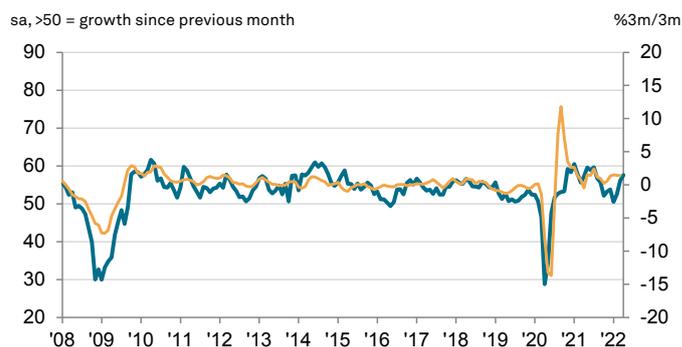
In line with a further upturn in new orders, firms raised their input buying at a sharp pace. Many companies stated that higher purchasing activity was linked to efforts to stockpile inputs amid price increases and material shortages. As a result, pre-production inventories expanded at the steepest rate on record. Stocks of finished goods continued to contract, however, the pace of decline eased to the slowest since February 2021.

At the same time, manufacturers recorded a solid rise in employment in April. Workforce numbers grew following greater production requirements and in response to staff leaving voluntarily. Some firms also stated that job creation was linked to the filling of long-held vacancies. Labor shortages continued to be mentioned as a weight on growth, however.

Although sharp, the rate of expansion in backlogs of work eased to the softest for 14 months.

Finally, business confidence remained upbeat. Strong optimism was attributed to hopes of reduced supply chain disruption and increased hiring. Concerns regarding inflation and geopolitical tensions led the level of positive sentiment to slip to a six-month low.

■ PMI Output Index ■ Manufacturing production



Sources: S&P Global, US Federal Reserve.

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Survey methodology

The S&P Global US Manufacturing PMI™ is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 800 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in April 2004.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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About PMI

Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. ihsmarkit.com/products/pmi.html.