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# IHS Markit U.S. Manufacturing PMI™

## January PMI hits record high amid strong client demand

### Key findings

Marked improvement in operating conditions as PMI climbs to survey high

Near-record supply chain disruptions push up input costs

Prices charged rise at steepest pace since July 2008

Data were collected 12-25 January 2021

January PMI™ data from IHS Markit indicated a robust improvement in the health of the U.S. manufacturing sector. Alongside a severe deterioration in vendor performance, the headline figure was pushed up to a record high by accelerated expansions in output and new orders. Meanwhile, cost pressures intensified amid raw material shortages. Firms were able to partially pass on higher costs, however, with selling prices rising at the fastest pace since July 2008.

Robust business confidence was reflected in the strongest rise in workforce numbers for two years, as pressure on capacity increased once again.

The seasonally adjusted IHS Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 59.2 in January, up from 57.1 in December and broadly in line with the earlier released 'flash' figure of 59.1. The latest data signalled a substantial improvement in operating conditions among manufacturers, and the most marked since data collection began in May 2007.

Output increased steeply at the start of 2021, as the rate of growth quickened to the fastest since August 2014. The rise in production was often attributed by panellists to stronger client demand and a sharper increase in new orders.

The recommencement of projects following an easing of coronavirus disease 2019 (COVID-19) restrictions reportedly helped boost sales in January. The rate of expansion of new orders was the sharpest in just under six-and-a-half years.

Growth in foreign client demand also accelerated, as new export orders rose at the fastest pace since September 2014.

At the same time, supplier delays persisted. Excluding December's record low, vendor performance deteriorated to the greatest extent since data collection began in May 2007. Supply

*continued...*

U.S. Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

### Comment

*Chris Williamson, Chief Business Economist at IHS Markit said:*

*"US manufacturing started 2021 on an encouragingly strong footing, with production and order books growing at the fastest rates for over six years.*

*"Demand from both domestic and export customers picked up sharply in January, buoyed by several driving forces. Consumer demand has improved while businesses are investing in more equipment and restocking warehouses, preparing for better times ahead as vaccine roll outs allow life to increasingly return to normal over the course of 2021.*

*"Manufacturers are encountering major supply problems, however, especially in relation to sourcing inputs from overseas due to a lack of shipping capacity. Lead times are lengthening to an extent not previously seen in the survey's history, meaning costs are rising as firms struggle to source sufficient quantities of inputs to meet production needs. These higher costs are being passed on to customers in the form of higher prices, which rose in January at the fastest rate since 2008. These price pressures should ease assuming supply conditions start to improve soon, but could result in some near-term uplift to consumer goods price inflation."*

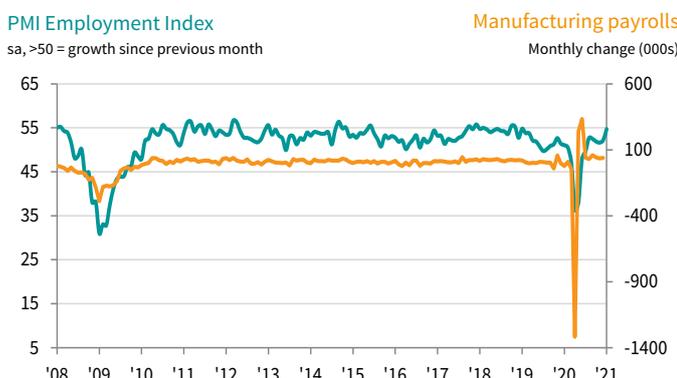
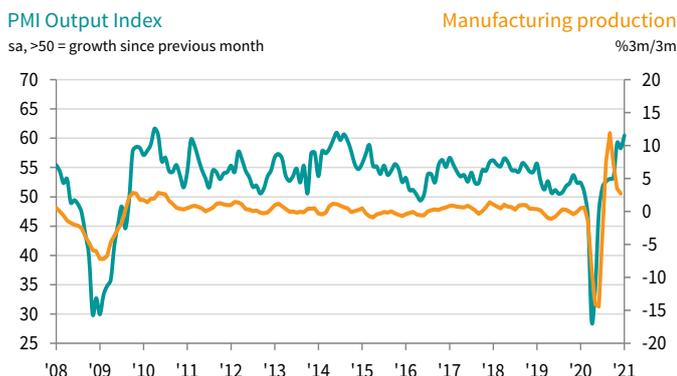
chain disruption reportedly stemmed from raw material and transportation shortages, notably trucking.

As a result, input costs rose markedly and at the second-steepest pace since April 2018. The rapid increase in cost burdens reportedly led many firms to partially pass on higher input prices to clients. Amid favourable demand conditions, companies registered the sharpest increase in output charges since July 2008.

Alongside greater production requirements, longer lead times for inputs led firms to increase their purchasing activity in January. Efforts to build stocks were reflected in the fastest rise in pre-production inventories since December 2019. Stocks of finished goods, however, fell as companies depleted inventory holdings as demand often outstripped production.

Manufacturers remained upbeat regarding the outlook for output over the coming year at the start of 2021. The robust degree of confidence was often linked to hopes of a successful vaccine roll-out, stronger client demand and reduced uncertainty. That said, the level of optimism was the lowest for three months.

Finally, goods producers increased their workforce numbers in January amid greater pressure on capacity and a faster rise in new orders. The rate of job creation was the quickest for two years, as backlogs of work rose modestly.



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**Contact**

Chris Williamson  
 Chief Business Economist  
 IHS Markit  
 T: +44-20-7260-2329  
[chris.williamson@ihsmarkit.com](mailto:chris.williamson@ihsmarkit.com)

Siân Jones  
 Economist  
 IHS Markit  
 T: +44-1491-461-017  
[sian.jones@ihsmarkit.com](mailto:sian.jones@ihsmarkit.com)

Katherine Smith  
 Corporate Communications  
 IHS Markit  
 T: +1 (781) 301-9311  
[katherine.smith@ihsmarkit.com](mailto:katherine.smith@ihsmarkit.com)

**Survey methodology**

The IHS Markit U.S. Manufacturing PMI™ is compiled by IHS Markit 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.

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](mailto:economics@ihsmarkit.com).

**Survey dates and history**

January 2021 data were collected 12-25 January 2021.

Data collection began in April 2004 from a survey panel of electronics manufacturers. In May 2007, the panel was expanded to cover manufacturers of metal products. In October 2009, the panel was expanded further to cover all manufacturing activity. Data from May 2007 to September 2009 are compiled from responses from manufacturers of electronics and metal products, while data from October 2009 are compiled from responses from all areas of manufacturing.

**Flash vs. final data**

Flash data were calculated from 85% of final responses. Since October 2009 the average difference between final and flash Manufacturing PMI values is 0.0 (0.3 in absolute terms).

**About IHS Markit**

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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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.

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