

## IHS Markit U.S. Manufacturing PMI™

### July PMI ticks up to record high, but supply delays and price pressures also hit new peaks

#### Key findings

Sharper expansions in output, new orders and employment

Cost pressures spike amid record shortages and efforts to build stocks

Backlogs rise at near-record pace amid capacity

Data were collected 12-28 July 2021.

July PMI™ data from IHS Markit signalled the most substantial improvement in operating conditions across the U.S. manufacturing sector on record. Overall growth was supported by stronger expansions in output and new orders, with the latter increasing at the second-fastest pace since data collection began in May 2007. Unprecedented supplier shortages and delays continued to exert upward pressure on input costs and stymie firms' ability to process incoming new work. As a result, cost burdens rose at a record-breaking rate and the accumulation of backlogs accelerated.

Nonetheless, output expectations remained upbeat amid hopes of further boosts to client demand over the coming year.

The seasonally adjusted IHS Markit U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 63.4 in July, up from 62.1 in June and slightly higher than the earlier released 'flash' estimate of 63.1. The improvement in the health of the manufacturing sector was the strongest in the 14-year series history.

Contributing to the uptick in the headline figure was a sharper expansion in production at the start of the third quarter. The upturn was reportedly linked to stronger client demand and efforts to clear backlogs of work. The rate of growth was the steepest for six months and marked overall.

New business at manufacturing firms rose at a robust rate, that was close to the record pace set in May. Firms stated that greater new order inflows stemmed from stronger client demand from new and existing customers, as some sought to stockpile. At the same time, foreign client demand rose at one of the fastest rates since data collection began in 2007 amid the reopening of key export markets.

July data signalled an unprecedented deterioration in vendor performance, as supplier delays were driven by transportation issues and severe raw material shortages.

Such constraints on component deliveries and greater global demand for inputs reportedly pushed input costs up. The rate of

*continued...*

U.S. Manufacturing PMI  
sa, >50 = improvement since previous month



Source: IHS Markit.

#### Comment

Chris Williamson, Chief Business Economist at IHS Markit said:

“July saw manufacturers and their suppliers once again struggle to meet booming demand, leading to a further record jump in both raw material and finished goods prices.

“Despite reporting another surge in production, supported by rising payroll numbers, output continued to lag well behind order book growth to one of the greatest extents in the survey’s 14-year history, leading to a near-record build-up of uncompleted orders.

“Capacity is being constrained by yet another unprecedented lengthening of supply chains, with delivery delays reported far more widely in the past two months than at any time prior in the survey’s history. Manufacturers and their customers are consequently striving to maintain adequate inventory levels, often reporting the building of safety stocks where supply permits, to help keep production lines running and satisfy surging sales.

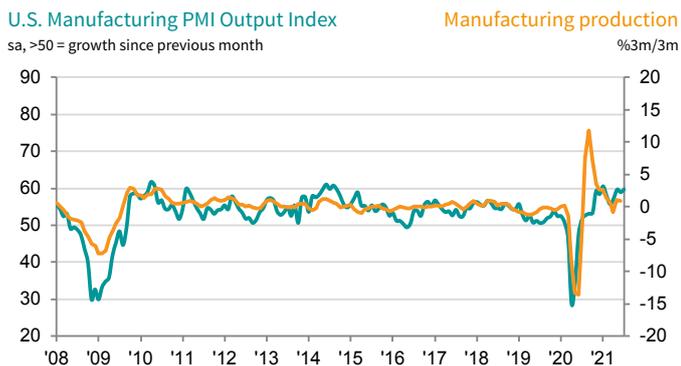
“The result is perhaps the strongest sellers’ market that we’ve seen since the survey began in 2007, with suppliers hiking prices for inputs into factories at the steepest rate yet recorded and manufacturers able to raise their selling prices to an unprecedented extent, as both suppliers and producers often encounter little price resistance from customers.”

cost inflation was the sharpest on record. Firms were, however, able to continue to raise their selling prices in July as charges also increased at a record-breaking pace. The uptick in output charges was overwhelmingly attributed to efforts to pass-through higher costs where possible.

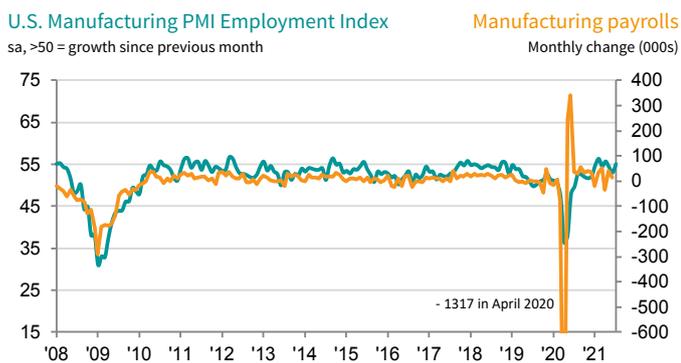
Supplier price hikes led to greater stockpiling activity at manufacturers, as growth in input buying accelerated to a fresh series high. Efforts to mitigate against future price rises or material shortages resulted in an unprecedented rise in pre-production inventories. In contrast, stocks of finished goods fell at a strong pace as firms sought to sell from their current holdings.

At the same time, stronger new order growth led to the second-fastest accumulation in work-in-hand since 2007. To reduce pressure on capacity, firms expanded their workforce numbers at the steepest pace for three months, but some continued to note difficulties filling vacancies.

Finally, goods producers were markedly upbeat overall regarding the outlook for output over the coming year in July. Optimism was often linked to hopes of stability in future supply chains and further boosts to client demand. Although easing from that seen in June, the degree of confidence was above the long-run series average.



Sources: IHS Markit, U.S. Federal Reserve.



Sources: IHS Markit, Bureau of Labor Statistics.

**Disclaimer**

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

**Contact**

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

Siân Jones  
 Senior 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**

July 2021 data were collected 12-28 July 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**

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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2021 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email [katherine.smith@ihsmarkit.com](mailto:katherine.smith@ihsmarkit.com). To read our privacy policy, click here.

**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](https://ihsmarkit.com/products/pmi.html)