

# IHS Markit U.S. Manufacturing PMI™

## PMI drops to five-month low as production hampered by ongoing material and labour shortages

### Key findings

Output growth slows again as shortages exacerbate capacity issues

Backlogs of work rise at series record pace

Output charge inflation accelerates to fastest on record

Data were collected 03-28 September 2021.

September PMI™ data from IHS Markit signalled a substantial improvement in operating conditions across the U.S. manufacturing sector, albeit the slowest for five months. Despite rising markedly, production was often hampered by severe material and labour shortages, as supply chain disruption worsened. Demand conditions softened from the peaks seen earlier in the year, but both domestic and foreign client orders rose at historically elevated rates. Pressure on capacity was reflected in the fastest uptick in backlogs of work on record, as challenges expanding workforce numbers persisted.

On the price front, the pace of input cost inflation softened only slightly from August's series record, causing firms to raise their charges at an unprecedented rate.

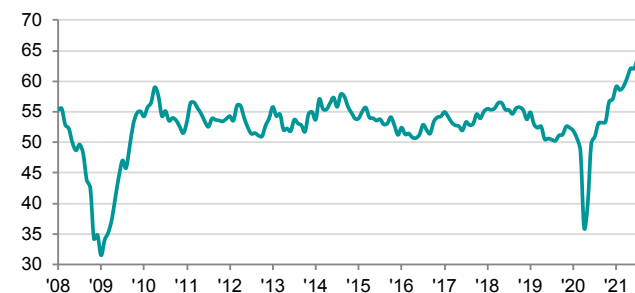
The seasonally adjusted IHS Markit U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 60.7 in September, down from 61.1 in August, but broadly in line with the earlier released 'flash' estimate of 60.5. The latest data indicated a marked improvement in the health of the U.S. manufacturing sector, despite being the slowest since April.

Contributing to sustained overall growth was a further expansion in output during September. The rise in production was strong, but eased to the slowest since March amid challenges related to material and labour shortages. Nonetheless, where an increase in output was noted, firms linked this to a further upturn in new orders.

Demand conditions across the manufacturing sector remained strong at the end of the third quarter, as new sales rose markedly. Alongside greater new business from new and existing customers, some firms suggested new order growth stemmed from client efforts to stockpile.

In contrast to a slower upturn in new orders, foreign client demand strengthened in September. New export orders rose at the fastest pace for four months.

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



Source: IHS Markit.

### Comment

Chris Williamson, Chief Business Economist at IHS Markit said:

*"The US manufacturing sector continues to run hot, with demand once again racing well ahead of production capacity as firms report widespread issues with supply chains and the availability of labor."*

*"The inability to meet demand amid near-record shortages of inputs and labor not only led to an unprecedented rise in backlogs of work as orders sat unfulfilled, but prices charged for those goods leaving the factory gate also surged higher again in September, rising at a rate exceeding anything seen in nearly 15 years of survey history."*

*"With COVID-19 cases showing signs of having peaked early both domestically and globally, some of the supply chain and labor shortage issues should start to ease, in turn taking some of the pressure off prices. But a dip in manufacturers' expectations for the year ahead to the lowest for four months due to supply worries underscores how production is likely to be adversely affected by shortages for some time to come."*

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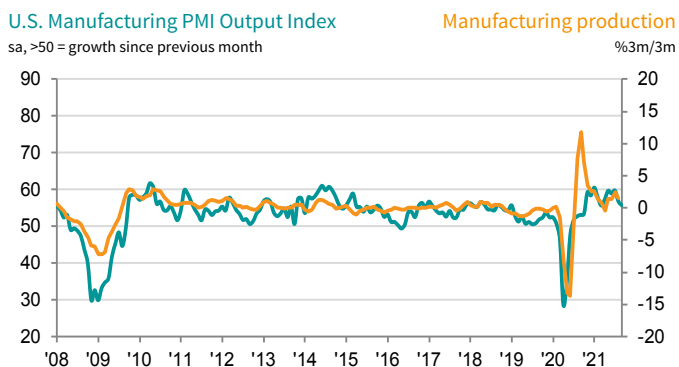
In line with a marked rise in new work, the level of outstanding business increased at an unprecedented pace. Pressure on capacity was exacerbated by severe material and labour shortages, as delivery times worsened further and at a rate exceeded only once over the survey history by the deterioration seen in July.

Firms sought to relieve capacity constraints by expanding their workforce numbers in September. Although employment rose at a solid pace, companies continued to highlight challenges finding suitable candidates for current vacancies.

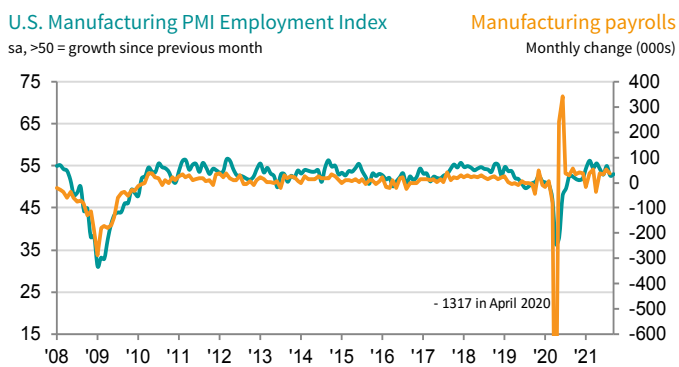
Meanwhile, input costs increased at the second-fastest rate since data collection began in May 2007, easing only slightly from August's high. The sustained rise in cost burdens was linked to greater transportation charges and supplier price hikes. As a result, firms raised their selling prices at the fastest pace on record in September. Higher charges were overwhelmingly attributed to efforts to pass-through greater costs to clients.

A marked deterioration in vendor performance did not deter firms from expanding their input buying. Increased purchasing activity was reportedly due to efforts to stockpile inputs and process burgeoning backlogs of work. The rise in input buying came amid the slowest rate of growth in stocks of purchases for five months and a further contraction in post-production inventories.

Finally, output expectations dipped to a four-month low in September. Although historically strong, the degree of confidence was weighed down principally by concerns regarding raw material availability.



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



Sources: IHS Markit, Bureau of Labor Statistics.

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**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**

September 2021 data were collected 03-28 September 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.

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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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