News Release

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IHS Markit U.S. Manufacturing PMI™

Manufacturing growth slows at start of 2020 as exports fall

Key findings

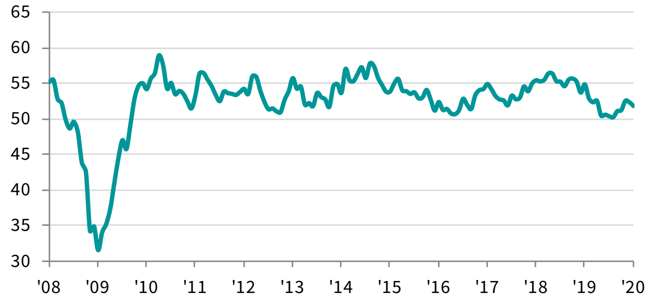
PMI dips to three-month low as exports fall

Employment rises at only a marginal rate

Business confidence picks up to seven-month high

U.S. Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

U.S. manufacturing firms indicated a slower overall improvement in operating conditions in January, in part stemming from a renewed drop in export orders. Firms also increased their workforce numbers at a slower pace amid less robust demand conditions. Nevertheless, manufacturers were more confident of a rise in production over the coming year as output expectations strengthened.

Meanwhile, inflationary pressures softened and were historically subdued. In an effort to attract new clients, firms raised their output charges at only a fractional rate despite some upward pressure on costs from tariffs.

The seasonally adjusted IHS Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 51.9 in January, up slightly from the flash figure of 51.7, but down from 52.4 in December. The latest headline reading signalled a modest improvement in operating conditions across the U.S. manufacturing sector at the start of 2020.

The rate of output growth matched that seen in December and was moderate overall. The pace of expansion was below the long-run series trend.

At the same time, manufacturers registered a slower and only mild increase in new orders at the start of 2020. Although firms stated that the upturn stemmed from greater client requests, the pace of growth was the softest for three months. While domestic demand continued to rise, new export orders fell for the first time since last September to act as the principal drag on overall order books.

As a result, firms signalled greater hesitancy in relation to hiring additional staff, with workforce numbers rising only slightly and at the least marked pace for four months. A number of firms noted that they had not replaced voluntary leavers following slower new business growth. Companies also indicated spare

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Comment

Chris Williamson, Chief Business Economist at IHS Markit said:

"US manufacturing limped into 2020, with falling exports dampening output growth and causing a pull-back in hiring. The survey data are consistent with factory production falling moderately, meaning the manufacturing sector looks set to act as a drag on the overall economy once again in the first quarter.

"Weakness looks broad-based. Rising demand from households has helped support production in recent months, but January saw a marked slowing in new orders for consumer goods. Production of capital goods such as business equipment, plant and machinery meanwhile fell for the first time in almost four years, hinting at weakened business investment.

"More encouragingly, business expectations for the year ahead perked up, coinciding with an easing of trade tensions and the signing of new North American and Chinese trade deals. Companies are therefore expecting the soft patch to be short-lived, though fears surrounding the Wuhan coronavirus and any further potential escalation of trade tensions could erode this optimism."

capacity as backlogs of work fell for the first time since last September, hinting that jobs could come under pressure in coming months unless order book growth accelerates.

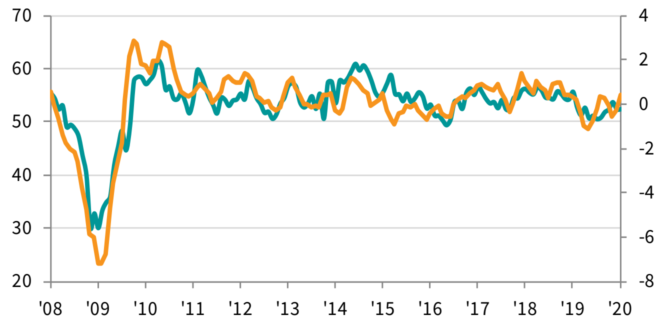
Nevertheless, goods producers expressed a stronger degree of confidence in the outlook for output over the coming year in January. Greater investment in marketing and hopes of a pick up in client demand reportedly drove sentiment to a seven-month high.

On the price front, input costs rose at the second-fastest rate since last April. Panellists attributed the rise in operating expenses to supplier price hikes, especially for metals, as well as tariffs. Firms were reluctant to raise factory gate charges, however, in an effort to stay competitive. Output prices increased at only a fractional pace overall that was the slowest for three months.

Finally, purchasing activity rose at a softer pace in January, with firms noting that input stock levels were sufficient to fulfill production requirements. Stocks of purchases were broadly unchanged and finished goods inventories decreased. Despite slower input buying, delivery delays remained moderate as suppliers reportedly faced capacity constraints.

PMI Output Index — Manufacturing production

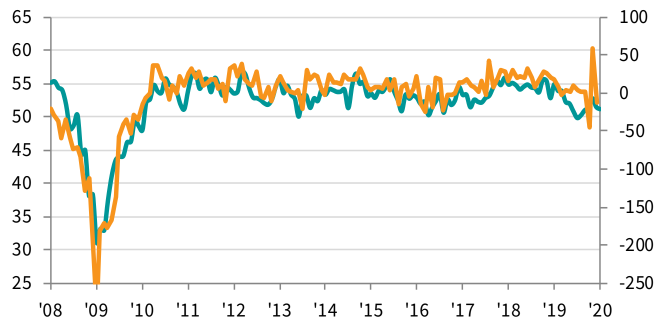
sa, >50 = growth since previous month — %3m/3m



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

PMI Employment Index — Manufacturing payrolls

sa, >50 = growth since previous month — Monthly change (000s)



Sources: IHS Markit, Bureau of Labor Statistics.

Contact

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

Siân Jones
Economist
IHS Markit
T: +44-1491-461-017
sian.jones@ihsmarkit.com

Katherine Smith
Corporate Communications
IHS Markit
T: +1 (781) 301-9311
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.

Survey dates and history

January 2020 data were collected 13-27 January 2020.

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.

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.

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. To learn more go to ihsmarkit.com/products/pmi.html.