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IHS Markit U.S. Manufacturing PMI™

Fastest manufacturing expansion since January 2019

Key findings

Faster upturn in new orders as export growth hits four-year high

Quickest rise in employment since November 2019

Cost pressures strongest since early-2019

August 2020 data were collected 12-24 August 2020

August PMI™ data from IHS Markit signalled a solid improvement in operating conditions across the U.S. manufacturing sector, with overall growth accelerating to the strongest since early-2019. The upturn reflected faster increases in output and new orders, with firms also indicating a renewed rise in employment. Moreover, companies registered the highest degree of confidence in the outlook for output over the coming year since April 2019 amid hopes of further growth of client demand.

On the price front, input costs rose sharply amid supplier price hikes and raw material shortages. Firms were able to partly pass on higher cost burdens through a modest increase in selling prices.

The seasonally adjusted IHS Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 53.1 in August, down slightly from the previously released 'flash' estimate of 53.6, but up from 50.9 at the start of the third quarter. The upturn in operating conditions was only the second in as many months, following the easing of coronavirus disease 2019 (COVID-19) restrictions and the reopening of large sections of the manufacturing sector. Overall growth was solid and the sharpest since January 2019.

Contributing to the overall expansion was a faster increase in new order inflows in August. The rate of growth was solid and the steepest since the start of 2019. Firms often linked the rise in new sales to stronger client demand and increased marketing. New export orders also picked up, as companies registered the first upturn in foreign client demand in 2020 so far. Moreover, the pace of increase was the quickest in four years.

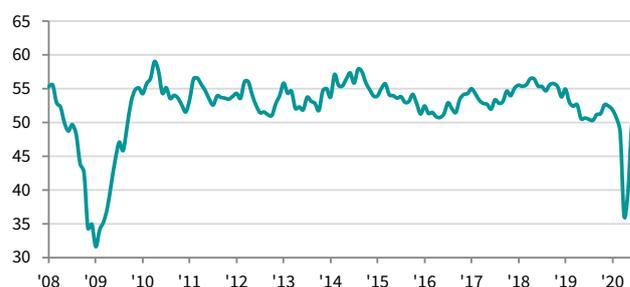
Reflecting strengthened demand conditions, manufacturers recorded a steeper pace of output growth. The upturn was the quickest since November 2019.

At the same time, goods producers expanded their workforce

continued...

U.S. Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Chris Williamson, Chief Business Economist at IHS Markit said:

“The manufacturing upturn gained further ground in August, adding to indications that the third quarter should see a strong rebound in production from the steep decline suffered in the second quarter.

“Encouragingly, new order inflows improved markedly, outpacing production to leave many companies struggling to produce enough goods to meet demand, often due to a lack of operating capacity. Backlogs of uncompleted work consequently rose at the fastest rate since the early months of 2019, encouraging increasing numbers of firms to take on more staff.

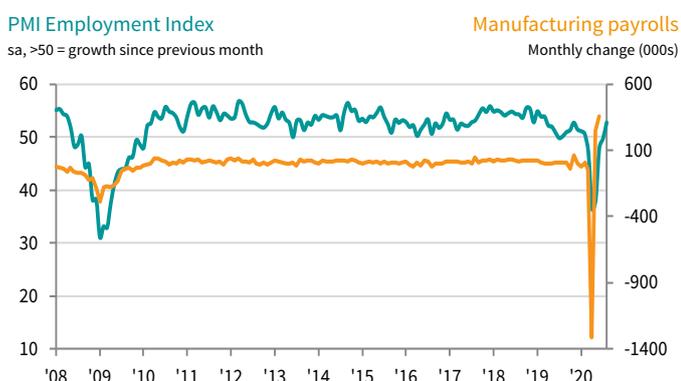
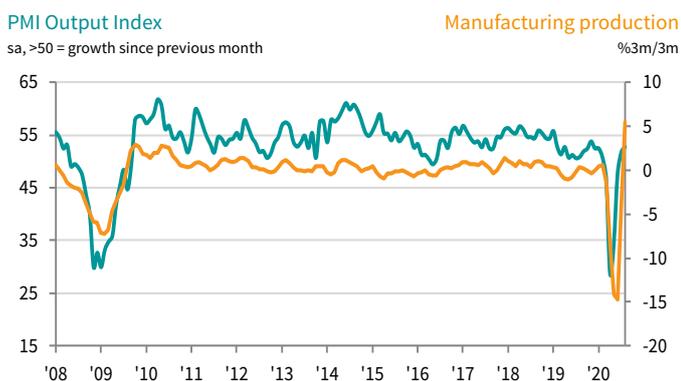
“Key to the upturn was a jump in new export orders, which rose at the fastest rate for four years, reflecting improving demand in many foreign markets, and benefitting larger companies in particular. Disappointingly, new orders and export sales at smaller manufacturers continued to fall, highlighting an unbalanced recovery in favour of larger firms.”

numbers for the first time since February. The rate of employment growth was the joint-fastest since March 2019, with firms attributing hiring to greater production requirements and upwards pressure on capacity. Backlogs of work rose at the sharpest rate for over a year as new order inflows picked up.

Meanwhile, manufacturers remained optimistic regarding the outlook for output over the coming year in August. Confidence reportedly stemmed from hopes of a return to stronger demand conditions and an end to the pandemic. The degree of positive sentiment was solid overall and the highest since April 2019.

August data signalled an acceleration in the rate of input price inflation, as cost burdens rose sharply amid raw material shortages and supplier price hikes. The pace of increase was the steepest since early-2019, but firms were only able to raise their output charges modestly amid efforts to retain clients.

Finally, the quicker increase in new sales drove input buying up in August. Firms also sought to rebuild stock levels, as pre-production inventories rose at the fastest pace in 2020 so far. At the same time, post-production inventories stabilised, bringing to an end a seven-month sequence of contraction.



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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.

Survey dates and history

August 2020 data were collected 12-24 August 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.

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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