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IHS Markit U.S. Manufacturing PMI™

Strongest improvement in operating conditions on record amid marked uptick in client demand

Key findings

New order growth accelerates to 11-year high

Greatest deterioration in vendor performance on record leads costs to soar

Job creation quickens as backlogs of work accumulate markedly

Data were collected 12-26 April 2021.

April PMI™ data from IHS Markit indicated a robust improvement in the health of the U.S. manufacturing sector, and the steepest since data collection began in May 2007. Overall growth was supported by quicker expansions in output and new orders, with the latter rising at the sharpest pace since April 2010. The headline index was also pushed higher by unprecedented supplier delivery delays (ordinarily a sign of improvement in operating conditions). Raw material shortages also led to the fastest rise in cost burdens since July 2008, with firms seeking to pass on supplier price hikes through marked upticks in output charges.

Meanwhile, business confidence moderated, amid concerns regarding supply chain disruptions and strains on future production capacity.

The seasonally adjusted IHS Markit U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 60.5 in April, up from 59.1 in March and broadly in line with the earlier 'flash' estimate of 60.6. The PMI figure was the highest since data collection for the series began in May 2007 and signalled a marked expansion.

Contributing to the greater headline figure was a sharp and faster upturn in production across the manufacturing sector. Output growth was commonly linked to a stronger rise in new orders, although some companies continued to highlight pressure on capacity following raw material shortages.

New orders increased markedly in April, with the rate of expansion accelerating to the fastest for 11 years. Firms noted that the upturn was due to stronger client demand, with some companies mentioning that customers were placing larger orders amid substantial supplier delivery delays. At the same time, new export orders expanded at the second-quickest rate on record as lockdown restrictions eased in key export markets.

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



Source: IHS Markit.

Comment

Chris Williamson, Chief Business Economist at IHS Markit said:

“US manufacturers reported the biggest boom in at least 14 years during April. Demand surged at a pace not seen for 11 years amid growing recovery hopes and fresh stimulus measures.

“Supply chain delays worsened, however, running at the highest yet recorded by the survey, choking production at many companies. Worst affected were consumer-facing firms, where a lack of inputs has caused production to fall below order book growth to a record extent in over the past two months as household spending leapt higher.

“Suppliers have been able to command higher prices due to the strength of demand for inputs, pushing material costs higher at a rate not seen since 2008.

“Attempts to expand capacity via hiring extra staff gained further momentum, though in some cases staff shortages were an additional constraint on production. However, with confidence in the outlook continuing to run at one of the highest levels seen over the past seven years, buoyed by vaccine roll-outs and stimulus, further investment in production capacity should be seen in coming months, helping alleviate some of the price pressures.”

Pressure on capacity meanwhile persisted, as backlogs of work rose at the second-steepest rate yet recorded by the survey. Subsequently, employment increased strongly and at the second-fastest pace since December 2017.

April data signalled another marked monthly deterioration in vendor performance across the goods-producing sector, with lead times lengthening to the greatest extent on record. Alongside raw material shortages and pressure on supplier capacity, firms linked delays to ongoing disruption to transportation, including port congestion.

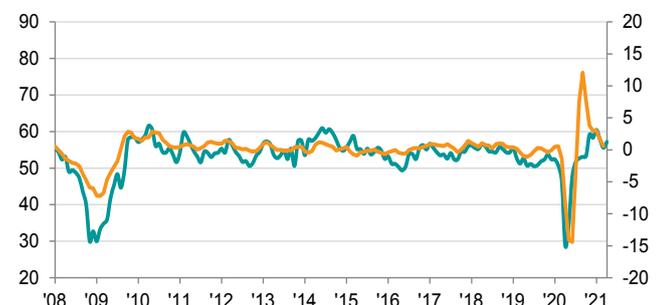
Input costs rose rapidly in April, with the rate of inflation quickening to the sharpest since July 2008. The increase was widely attributed to material shortages and greater transportation costs.

Firms sought to pass on higher costs to clients through a further rise in output charges in April. The rate of charge inflation eased slightly from March, but was the second-fastest on record.

Firms expanded their buying activity at the steepest pace since August 2014. As well as reports of increased input buying due to greater production requirements, some firms also noted efforts to build stocks. Consequently, firms registered a modest expansion in pre-production inventories. Stocks of finished goods fell, however, as firms often reported that demand exceeded current production.

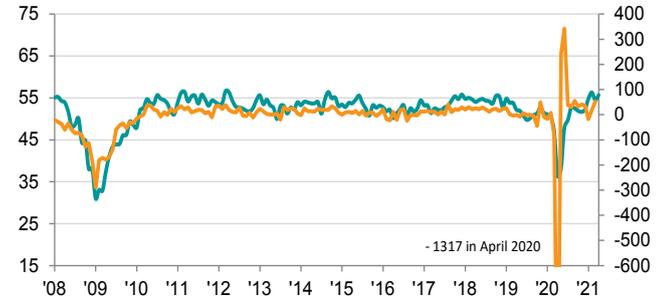
Finally, business confidence moderated in April, with optimism slipping to a three-month low. Expectations were weighed down by concerns regarding supply chain disruptions.

U.S. Manufacturing PMI Output Index **Manufacturing production**
 sa, >50 = growth since previous month %3m/3m



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

U.S. Manufacturing PMI Employment Index **Manufacturing payrolls**
 sa, >50 = growth since previous month Monthly change (000s)



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.

Survey dates and history

April 2021 data were collected 12-26 April 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 84% of final responses. Since October 2009 the average difference between final and flash Manufacturing PMI values is 0.0 (0.3 in absolute terms).

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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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