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# IHS Markit U.S. Manufacturing PMI™

## Record rise in manufacturing PMI amid looser COVID-19 restrictions

### Key findings

Contraction in output slows as new orders stabilise

First increase in selling prices since February, albeit only fractional

Job losses ease amid renewed optimism

Data were collected 12-25 June 2020.

June PMI™ data signalled only a fractional deterioration in U.S. manufacturing conditions as goods producers and their customers began to reopen amid looser restrictions following the outbreak of coronavirus disease 2019 (COVID-19). The downward trend in production eased markedly as new orders stabilised amid reports of a relative improvement in demand conditions. Companies reported a further drop in workforce numbers as evidence of spare capacity remained, but the rate of job losses also moderated sharply. Optimism about the year ahead meanwhile revived considerably.

At the same time, inflationary pressures picked up, as both input costs and output charges rose for the first time in the second quarter.

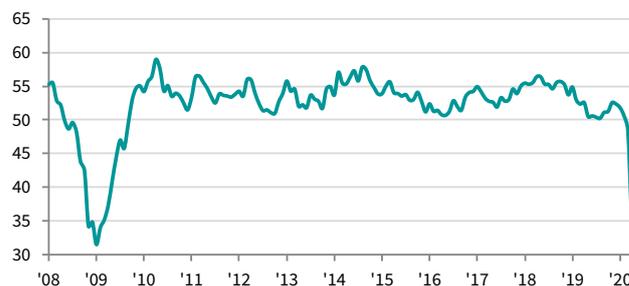
The seasonally adjusted IHS Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 49.8 in June, up a record 10 points from 39.8 in May, to signal a marked easing in the overall manufacturing downturn. The latest figure was also slightly higher than the earlier released 'flash' reading of 49.6.

Contributing to the slower decline in operating conditions was a stabilisation of new orders. No change in client demand in June brought to an end a three-month sequence of contraction in new business and signalled a notable turnaround from the severe decrease seen in April. Where an increase was reported, firms linked this to a gradual pick-up in demand as customers reopened. New export orders continued to fall, however. Although modest, the drop in external sales was linked to some export markets remaining closed amid COVID-19 restrictions and reports of some customers switching to local suppliers.

With signs of firmer demand conditions, production fell at a sharply reduced rate in June. Where output declined, it was largely linked to historically muted order inflows and the ongoing closure of some factories. Nonetheless, the overall

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 have reported a marked turnaround in business conditions through the second quarter, with collapsing production and demand in April at the height of the COVID-19 lockdown turning rapidly to stabilisation by June. The PMI posted a record 10-point rise in June amid unprecedented gains in the survey’s output, employment and order book gauges.

“The record rise in the New Orders Index, coupled with low inventory holdings, bodes well for a further improvement in production momentum in July. A record upturn in business sentiment about the year ahead likewise hints that business spending and employment will start to revive.

“However, while the PMI currently points to a strong v-shaped recovery, concerns have risen that momentum could be lost if rising numbers of virus infections lead to renewed restrictions and cause demand to weaken again.”

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rate of contraction was the slowest since February as other companies reported the end of temporary shutdowns.

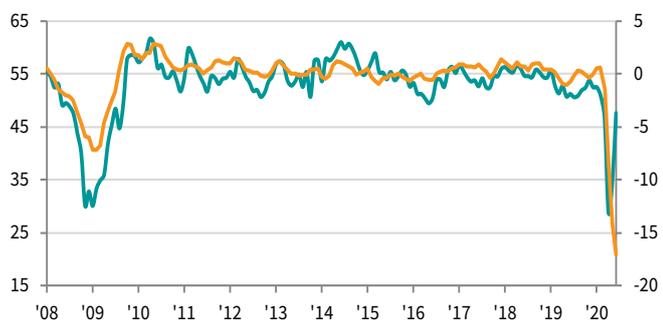
Meanwhile, cost burdens rose in June as suppliers hiked their prices due to logistical issues and higher shipping costs. The increase was only marginal, however. At the same time, firms partially passed on greater input prices to customers through higher selling prices. That said, the increase in output charges was only slight as firm sought to remain competitive under challenging demand conditions.

Employment across the manufacturing sector declined for the fourth month running in June, as firms shed workers at a moderate pace following subdued demand. Signs of excess capacity remained evident as manufacturers registered a sharp reduction in backlogs of work. However, the overall loss of jobs was considerably weaker than those seen in the prior two months.

Goods producers also indicated renewed optimism that output would increase over the coming year. Positive sentiment stemmed from hopes of a sustained pick-up in client demand and an end to the pandemic. The degree of confidence was solid overall and reached a four-month high.

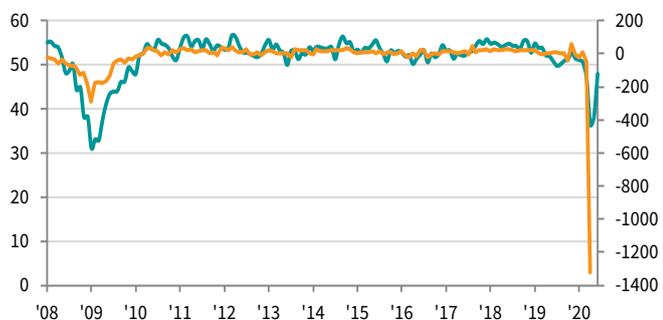
Finally, manufacturers recorded further falls in both pre- and post-production inventories as stocks were used to fulfil new orders, though rates of decline slowed markedly compared to May.

**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.

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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**

June 2020 data were collected 12-25 June 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.

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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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