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## IHS Markit US Manufacturing PMI™

### PMI drops to 11-month low amid softer demand conditions and material shortages

#### Key findings

Output growth subdued amid softer rise in new sales and supply shortages

Job creation slows due to reports of labor shortages

Input costs rise at fastest pace on record

Data were collected 12-25 November 2021.

November PMI™ data from IHS Markit signalled the second-weakest rise in production recorded over the past 14 months as producers reported further near-record supply delays and a slowing of new order inflows to the softest so far this year. Jobs growth also waned amid difficulties filling vacancies.

Longer lead times, supplier shortages and higher energy prices meanwhile pushed the rate of cost inflation to a fresh series high. Although firms still sought to pass on greater costs to clients, the pace of increase in prices charged slowed to the softest in three months amid signs of push-back to higher prices from customers.

The seasonally adjusted IHS Markit US Manufacturing Purchasing Managers' Index™ (PMI™) posted 58.3 in November, down fractionally from 58.4 in October and lower than the earlier release 'flash' estimate of 59.1. The latest reading was the lowest since December 2020. Although remaining well above the 50.0 neutral level, the PMI was boosted in particular by the further near-record lengthening of supplier lead times and increased inventory building. While normally considered positive developments associated with an expanding manufacturing economy, the lengthening of lead times reflected an ongoing supply shock and inventory building often reflected concerns over the future supply situation.

Although US manufacturers indicated a stronger rate of increase in production during November amid reports of a sustained rise in new orders, the pace of growth was the second-slowest since September 2020. Companies continued to state that the upturn was held back by material shortages.

New sales growth continued to significantly outpace production growth, though slowed to an eleven-month low. A number of companies suggested that strong client demand and efforts at customers to stockpile drove the increase. That said, some firms noted that material shortages and supplier delays led customers to place orders elsewhere. New export orders, meanwhile, rose marginally.

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US Manufacturing PMI  
sa, >50 = improvement since previous month



Source: IHS Markit.

#### Comment

Chris Williamson, Chief Business Economist at IHS Markit said:

“Broad swathes of US manufacturing remain hamstrung by supply chain bottlenecks and difficulties filling staff vacancies. Although November brought some signs of supply chain problems easing slightly to the lowest recorded for six months, widespread shortages of inputs meant production growth was again severely constrained to the extent that the survey is so far consistent with manufacturing acting as a drag on the economy during the fourth quarter.

“While demand remains firm, November brought signs of new orders growth cooling to the lowest so far this year, linked to shortages limiting scope to boost sales and signs of push-back from customers as prices continued to rise sharply during the month.

“While average selling price inflation eased as firms sought to win customers, the rate of input cost inflation hit a new high, hinting at a squeeze on margins.”

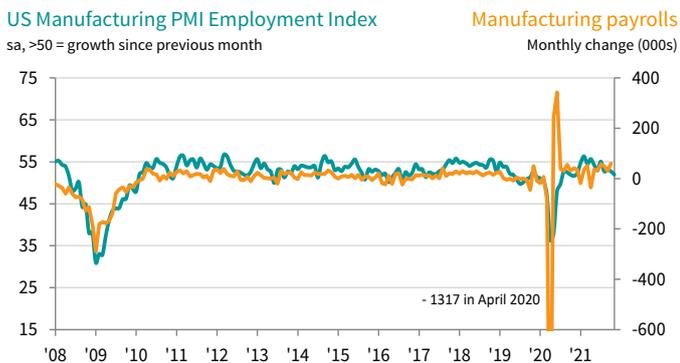
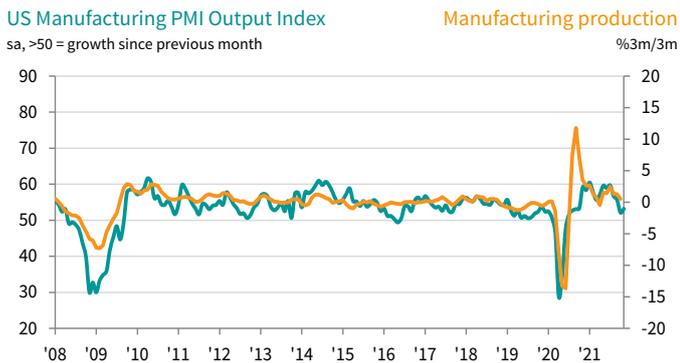
Employment increased further in November, as firms sought to broaden capacity amid rising backlogs of work. The rate of job creation slowed to only a modest pace, however, as labor shortages stymied efforts to fill current vacancies. Although the pace of growth in work-in-hand eased to the joint-softest since April, it was faster than any expansion seen before this period.

Severe supplier delays and shortages led to the sharpest rise in input costs on record (since May 2007). Firms noted that higher prices for metals, chemicals and plastics, alongside greater freight and transportation costs drove inflation.

Manufacturers raised their selling prices markedly in November as higher costs were passed through to clients. Despite a faster rise in input prices, the rate of charge inflation eased to a three-month low.

Concurrently, vendor performance deteriorated to one of the greatest extents on record. To protect against future shortages, delays and supplier price hikes firms increased their input buying sharply and pre-production inventories rose at the fastest pace for three months. Nonetheless, challenges replenishing stocks of finished goods led to the sharpest fall in post-production inventories since May 2020.

Finally, expectations regarding the outlook for output over the coming year improved to a three-month high. Optimism was often linked to hopes of supply chain issues easing in coming months, and in some cases greater confidence stemmed from investment in technology to prevent future bottlenecks.



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**Survey methodology**

The IHS Markit US 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**

November 2021 data were collected 12-25 November 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**

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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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