

Embargoed until 0945 EDT (1345 UTC) 1 April 2020

IHS Markit U.S. Manufacturing PMI™

Output declines at fastest pace since August 2009 amid COVID-19 outbreak

Key findings

Production and new orders contract at fastest rates since financial crisis

Employment falls at quickest pace for over a decade

Business confidence drops to series low

March data indicated a moderate deterioration in operating conditions across the U.S. manufacturing sector. Driving the overall decline were the sharpest downturns in output and new orders since the financial crisis in 2009 amid weak domestic and foreign demand conditions following the outbreak of coronavirus disease 2019 (COVID-19). Emergency measures to tackle the spread of the virus also led to a solid fall in workforce numbers and business confidence, as factories shutdown and laid off staff.

Average selling prices meanwhile fell at the steepest rate for just over four years as firms increasingly offered discounts to retain clients, helped in part by lower input cost inflation, the latter linked to falling demand for raw materials.

The seasonally adjusted IHS Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 48.5 in March, revised down from the 'flash' figure of 49.2, and lower than 50.7 registered in February. The overall deterioration in the health of the manufacturing sector was the fastest since August 2009, but was buoyed by a marked decline in vendor performance (usually a sign of strengthening demand conditions but currently reflecting widespread supply shortages linked to the COVID-19 pandemic).

Output contracted solidly in March, dropping at the sharpest pace for over a decade as factories shutdown and client demand dropped sharply as a result of the COVID-19 outbreak.

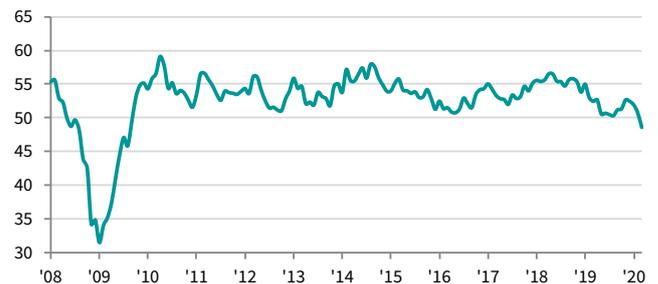
Concurrently, new orders fell at the joint-fastest pace since June 2009, commonly linked to demand slumping due to the virus, with firms also registering a solid downturn in new export orders. A number of companies stated that lower demand from key export partners following the outbreak of COVID-19 had dented total new orders.

Subsequently, manufacturers cut their workforce numbers at

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 final PMI data for March are even worse than the initial flash estimate, with manufacturing output slumping to the greatest extent since the height of the global financial crisis in 2009.

"Growing numbers of company closures and lockdowns as the nation fights the COVID-19 outbreak mean business levels have collapsed. While some producers reported being busier as a result of stockpiling and anti-virus activities, notably in the food and healthcare sectors, these are very much the minority, and most sectors reported a rapid deterioration in demand and production.

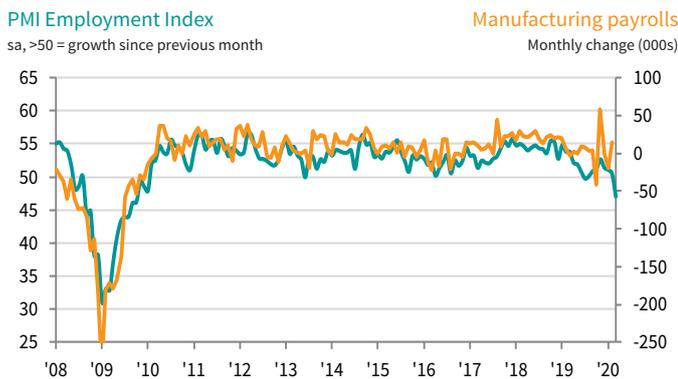
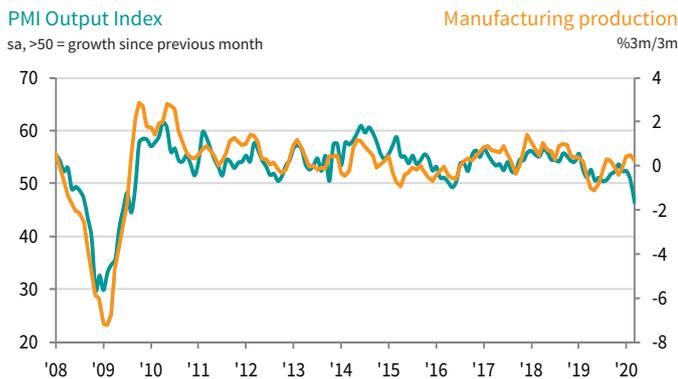
"Orders for capital equipment have deteriorated at a rate not seen since data were first available in 2009 as firms stopped investing in machinery. Companies have meanwhile reined-in spending on inputs and households have pulled back sharply on many forms of spending, especially for non-essential and big ticket items. With export sales also sliding, factories are facing a broad-based slide in demand which is already resulting in the largest job losses recorded since the global financial crisis. Worse is likely to come as consumer spending falls further in coming months as lockdowns intensify and unemployment spikes higher."

the sharpest rate since October 2009, reporting an increase in redundancies and the need for lower operating capacity. Spare capacity was also mirrored in a strong fall in backlogs of work. Weak demand allowed firms to process work-in-hand at the fastest pace since 2009.

The outbreak of COVID-19 also weighed on output expectations across the sector. Fears surrounding the longevity of shutdowns and the slow recovery thereafter led to the lowest degree of confidence since data collection for the series began in July 2012.

Meanwhile, input prices rose only slightly and at the slowest rate since June 2017 in March, as weak demand for raw materials led some suppliers to offer discounts. That said, shortages of key inputs drove the rise. In an effort to retain clients, firms reduced their selling prices at the fastest pace for just over four years.

Despite a fall in purchasing activity, shocks to the global supply chain caused by the escalation of the outbreak of COVID-19 led to the greatest deterioration in vendor performance since July 2018. Raw material shortages were partly linked to the further fall in pre-production inventory levels. Stocks of finished goods, meanwhile, were depleted at a faster pace amid weak demand conditions.



Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

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

March 2020 data were collected 12-25 March 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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email katherine.smith@ihsmarkit.com. To read our privacy policy, [click here](#).

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