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...
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 lowest 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 amid weak demand conditions.

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.

Weak demand allowed firms to process work-in-hand at the fastest pace 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.

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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
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.

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