

# IHS Markit U.S. Manufacturing PMI™

## Output growth hampered further by material shortages, but expansion in new orders remains sharp

### Key findings

Upturn in production slowest for 15 months

Severe supplier delays drive marked increase in input costs

Output charge inflation hits fresh series high

Data were collected 12-27 October 2021.

October PMI™ data from IHS Markit signalled a steep improvement in operating conditions across the U.S. manufacturing sector. Although the overall upturn slowed to the softest in 2021 so far, the expansion in new orders remained sharp and historically elevated. Nonetheless, output growth eased again to the weakest since July 2020 amid capacity constraints including material shortages. A lack of input availability and transportation delays led to a severe deterioration in vendor performance, with input costs rising markedly. At the same time, firms passed through higher input prices to their clients, as charges rose at the fastest pace on record. Meanwhile, concerns regarding supply chain disruption and inflation weighed on business confidence which dropped to the weakest for a year.

The seasonally adjusted IHS Markit U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 58.4 in October, down from 60.7 in September and below the earlier released 'flash' estimate of 59.2. The latest improvement in the health of the U.S. manufacturing sector was sharp, despite being the weakest for ten months.

Contributing to the overall upturn was a steep rise in new business at manufacturing firms in October. Companies continued to highlight strong demand conditions, but some noted that raw material shortages were hampering demand from clients as stocks of inputs had already been built or delivery times were too extensive. The pace of new order growth was the slowest for ten months. New export sales rose only fractionally as foreign demand was also weighed down by the knock-on effects of uncertain supply.

In line with capacity constraints, production growth slowed to the softest since July 2020 in October. Raw material and labour shortages were commonly cited as hampering the upturn.

Alongside supplier shortages, transportation delays and strong demand for inputs exacerbated an already substantial deterioration in vendor performance. The extent to which lead times lengthened was broadly unchanged from that seen in September and among

*continued...*

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



Source: IHS Markit.

### Comment

Chris Williamson, Chief Business Economist at IHS Markit said:

"October saw US manufacturers report yet another near-record lengthening of supply chains, with shortages of components constraining production growth to the lowest since July of last year. Around half of all companies reporting lower production in October attributed the decline to a lack of supplies. However, a further one-in-ten cited a lack of labor, and one-in-four reported that demand had fallen, often as a result of customers either lacking other inputs or pushing back on higher prices.

"Although production growth has now slipped below the pre-pandemic long-run average due to the supply and labor constraints, demand growth – as measured by new order inflows – remains well above trend despite easing in October, hence producers saw another steep rise in backlogs of uncompleted work. This shortfall of production relative to demand was the principal driving force behind a survey record rise in manufacturers' selling prices, suggesting that inflationary pressures continue to build and look unlikely to abate to any significant degree any time soon."

the most marked on record.

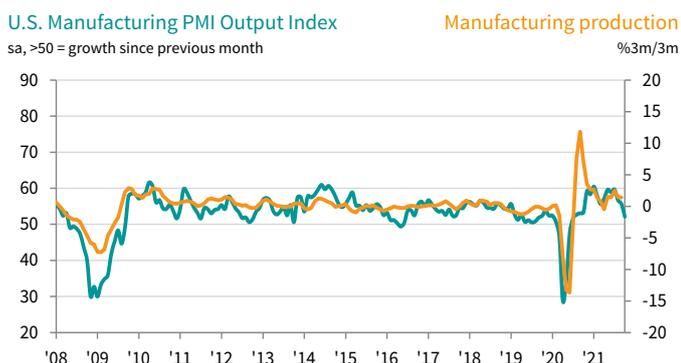
The rate of input cost inflation remained substantial at the start of the fourth quarter, as hikes in vendor prices and greater transportation surcharges pushed costs up. With the exception of August and September's record rises, the latest increase was the fastest since data collection began in May 2007.

At the same time, firms continued to partially pass on higher costs to clients. The rate of charge inflation accelerated to the fastest on record.

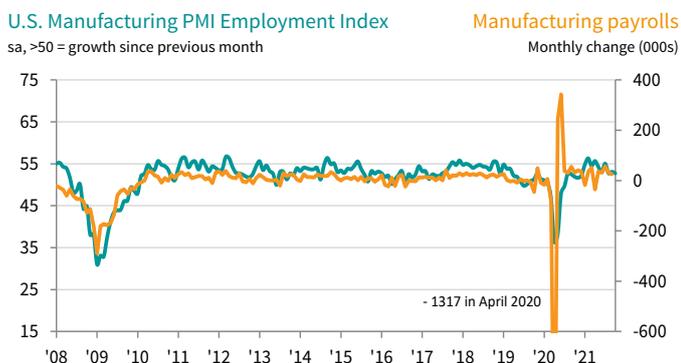
Despite marked increases in costs, firms expanded their input buying sharply again in October. Although at the slowest pace for seven months, companies attributed higher purchasing activity to efforts to build stocks amid greater new order inflows. Meanwhile, stocks of purchases rose only modestly as firms utilised current input holdings to supplement production. Similarly, stocks of finished goods fell solidly as companies sought to meet new order deadlines.

Backlogs of work rose markedly, and at one of the sharpest paces on record as firms grappled with pressure on capacity. The rate of growth eased to a four-month low, however, as employment increased at a solid pace.

Finally, output expectations dropped to a 12-month low in October amid concerns regarding inflation and supply-chain disruption.



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



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**

October 2021 data were collected 12-27 October 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**

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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