News Release

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IHS Markit U.S. Manufacturing PMI™

Production growth near six-year peak but price gauge highest since 2011

Key findings

Steep expansions in output and new orders

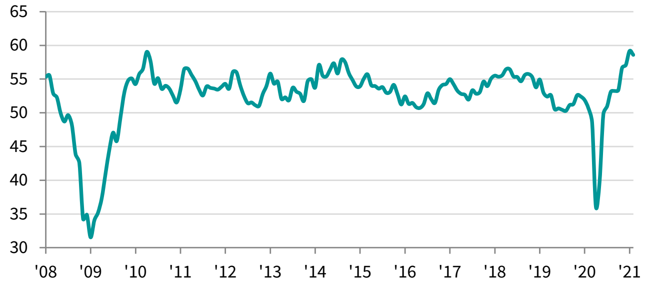
Costs rise at steepest rate since April 2011 amid record supplier shortages

Selling prices increase at sharpest pace since July 2008

Data were collected 10-22 February 2021

U.S. Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

February PMI[TM] data from IHS Markit indicated a marked upturn in the health of the U.S. manufacturing sector. Although the rate of overall growth eased, it was the second-fastest since April 2010 and was supported by sharp increases in output and new orders. Unprecedented supply chain disruption remained apparent, however, with supplier shortages and transportation delays leading to a substantial rise in input costs. Firms were, however, able to partially pass on input prices to clients through the fastest increase in charges since July 2008.

At the same time, employment grew at the steepest rate since September 2014, as business confidence also improved.

The seasonally adjusted IHS Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 58.6 in February, down from 59.2 in January but broadly in line with the earlier released 'flash' estimate of 58.5. The marked improvement in the health of the manufacturing sector was the second-strongest in almost 11 years.

Despite easing, rates of expansion in output and new orders remained sharp overall in February. The rate of production growth was among the fastest in six years while new order growth was among the fastest seen over the past three years. New export orders also rose solidly, registering the second-steepest gain since September 2014.

Also helping to buoy the headline PMI figure was a substantial lengthening of supplier delivery times amid significant supply chain disruption. Ordinarily a signal of improving operating conditions, longer lead times for inputs reportedly stemmed from supplier shortages and transportation delays due to coronavirus disease 2019 (COVID-19) restrictions. The extent to which wait times lengthened was the greatest since data collection began in May 2007.

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Comment

Chris Williamson, Chief Business Economist at IHS Markit said:

"Another month of strong production growth suggests that the US manufacturing sector is close to fully recovering the output lost to the pandemic last year, and a renewed surge in optimism suggests the recovery has much further to run. Business expectations about the year ahead jumped to a level only exceeded once over the past six years, buoyed by a cocktail of stimulus and post-COVID recovery hopes as life continues to return to normal amid vaccine roll outs.

"Particularly encouraging is a marked improvement in demand for machinery and equipment, hinting strongly at strengthening business investment spending. However, new orders for consumer goods showed the strongest back-to back monthly gains since the pandemic began, suggesting higher household spending is also feeding through to higher production.

"A concern is that shortages of raw materials have become a growing problem, with record supply chain delays reported in February, contributing to the steepest rise in material costs seen over the past decade. Prices charged for a wide variety of goods coming out of factories are consequently rising, which will likely feed through to higher consumer inflation."

As a result, goods producers registered a severe uptick in cost burdens. The rate of input price inflation accelerated to the sharpest since April 2011. Higher raw material prices, notably for steel, and increased transportation costs were widely linked to the rise.

The recent strengthening of demand allowed firms to partially pass on higher costs to clients through the fastest rise in charges since July 2008.

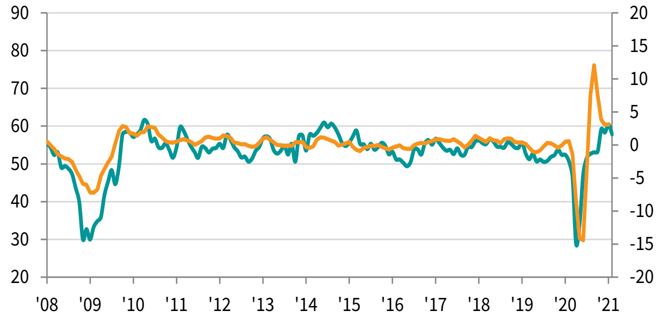
Input buying among manufacturers continued to rise at a solid rate, but supplier delays meant that many needed to utilise their current holdings of raw materials and finished goods to fulfil production requirements in the interim. Therefore, both pre- and post-production inventories fell in February, with the former declining at the steepest pace since June 2020.

In line with strong new order inflows and supplier delays, pressure on capacity at manufacturers increased. The accumulation of backlogs of work was the quickest for three months. In an effort to ease strain, firms expanded their workforce numbers at the sharpest pace since September 2014.

Finally, output expectations regarding the year ahead among manufacturers strengthened in February. The degree of optimism was the highest for three months amid hopes of an end to the pandemic and a reduction in restrictions as 2021 progresses.

U.S. Manufacturing PMI Output Index | Manufacturing production

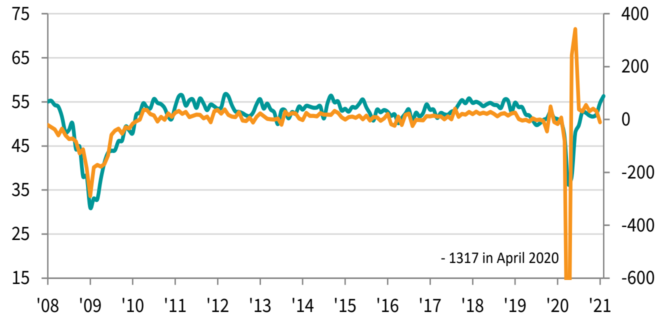
sa, >50 = growth since previous month | %3m/3m



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

U.S. Manufacturing 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.

Survey dates and history

February 2021 data were collected 10-22 February 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

Flash data were calculated from 85% of final responses. 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.

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.