

Embargoed until 0945 EST (1445 UTC) 2 January 2020

IHS Markit U.S. Manufacturing PMI™

Manufacturing output continues to recover amid further new order growth

Key findings

Modest expansions in production and new business

Inflationary pressures intensify

Business confidence remains relatively subdued

December data pointed to a further recovery in operating conditions across the U.S. manufacturing sector. The sustained improvement was supported by a solid rise in new business and a further upturn in production. Output expectations remained historically muted, however.

Meanwhile, rates of both input price and output charge inflation quickened amid higher cost burdens and the ongoing impact of tariffs.

The seasonally adjusted IHS Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 52.4 in December, down slightly from 52.6 in November and in line with the flash figure. The latest data indicated a modest improvement in the health of the U.S. manufacturing sector. The final quarterly average of 2019 was in fact the strongest since the opening three months of the year.

Output growth across the sector softened from November's recent peak, but was moderate nonetheless. The expansion was linked to greater client demand and a rise in new order volumes. The rate of increase was still well below those seen at the end of 2018, however.

New business received by manufacturing firms grew at a solid rate in December, and one that was the second-strongest since April. The sustained rise in client demand was partially attributed to the acquisition of new clients and reviving export sales. Goods producers reported a third consecutive upturn in new export orders.

On the price front, cost burdens rose at a solid pace at the end of the fourth quarter. The rate of input price inflation accelerated to a nine-month high as firms stated that higher supplier costs and tariffs had driven prices up.

The pace of output charge inflation also quickened to the

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 US manufacturing sector continued to recover from the soft-patch seen in the summer, ending 2019 with its best quarter since the early months of 2019.

"The overall rate of expansion nevertheless faltered somewhat in December and remains well below that seen this time last year, suggesting producers are starting 2020 on a softer footing than they had enjoyed heading into 2019.

"Business sentiment about the outlook remains especially subdued compared to a year ago, reflecting ongoing worries about geopolitics and trade wars, especially the impact of tariffs, as well as fears that political and economic uncertainty surrounding the 2020 elections could dampen demand.

"The impact of tariffs was clearly evident via higher prices, while the relatively subdued level of business confidence manifested itself in a pull-back in hiring, hinting at risk aversion and cost-cutting."

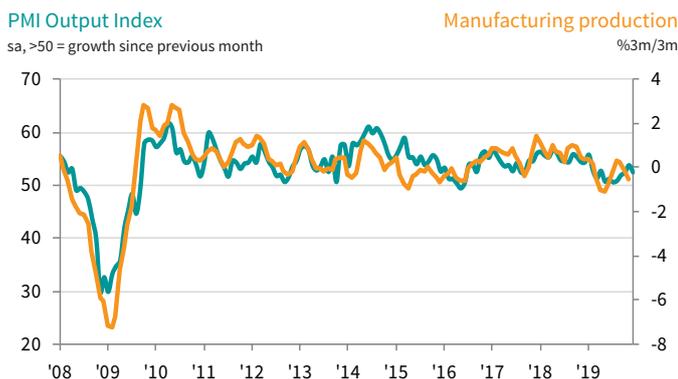
joint-fastest since February and was solid overall. Companies commonly attributed the rise to the partial pass-through of higher costs on to clients.

Despite an increase in client demand, output expectation towards the coming year remained relatively muted at the end of 2019. Nonetheless, the degree of confidence picked up from that seen in November, with optimism reportedly stemming from new product development, new client wins and investment in new facilities.

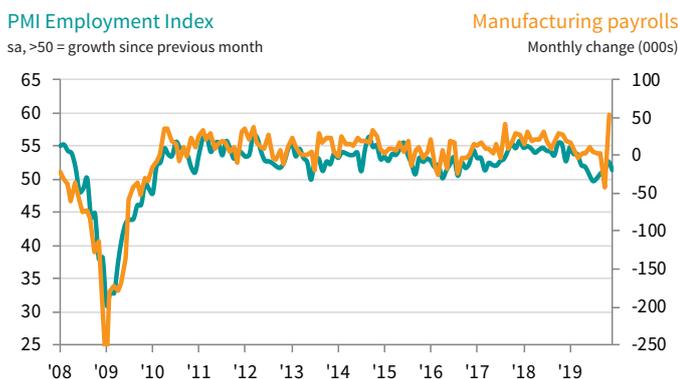
Meanwhile, a further upturn in new business drove firms to expand their workforce numbers in December. Employment growth was the second-fastest since May, with firms stating the increase largely stemmed from greater production requirements.

Strain on capacity was also reflected in a further accumulation of backlogs of work. That said, the rate of growth in the level of outstanding business was only marginal and eased from that seen in November.

Finally, input buying rose for the third month running amid efforts to stockpile raw materials. Post-production inventories were little-changed, however, as sales from stock weighed on growth.



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



Sources: IHS Markit, Bureau of Labor Statistics.

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

December 2019 data were collected 5-17 December 2019.

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. To learn more go to ihsmarkit.com/products/pmi.html.