News Release

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IHS Markit U.S. Manufacturing PMI™

Marked improvement in operating conditions amid strong demand conditions

Key findings

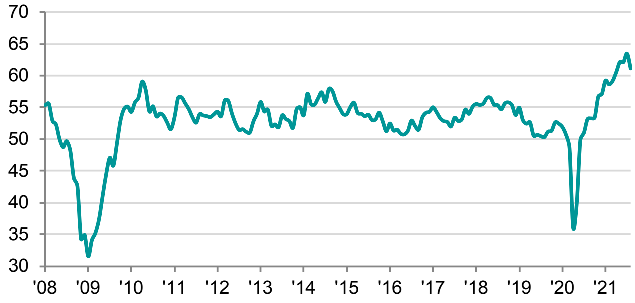
Substantial rise in new orders…

…but output growth is constrained by material shortages

Inflationary pressures reach fresh series high

U.S. Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Data were collected 12-26 August 2021.

August PMI™ data from IHS Markit signalled a marked improvement in the health of the U.S. manufacturing sector. Although slightly softer than that seen in July, the expansion was supported by steep upturns in production and new orders. Nevertheless, output growth was reportedly hampered by capacity constraints and material shortages. Lead times for inputs extended further as cost burdens soared, with the pace of inflation reaching a fresh series high.

Although output expectations strengthened, employment growth eased as firms struggled to retain staff and find suitable candidates for current vacancies.

The seasonally adjusted IHS Markit U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 61.1 in August, down from 63.4 in July, and broadly in line with the earlier released 'flash' estimate of 61.2. The latest improvement in operating conditions was the softest for four months, but nonetheless among the strongest seen in the over 14-year series history.

Contributing to overall growth was a sharp expansion in production during August, albeit the slowest for five months. Where an increase was reported, it was generally linked to a further upturn in new orders and firm demand conditions. The softer expansion of output was due to capacity constraints including material shortages, according to panellists.

New orders continued to increase midway through the third quarter, as client demand rose markedly. Alongside greater customer spending, some companies noted that stockpiling efforts at clients drove new sales. The rate of growth was the slowest since March, however. At the same time, growth in new export orders also softened and was the slowest for eight months.

Manufacturers commonly reported that material shortages hampered output growth, as supplier delivery times increased markedly and to one of the greatest extents on record. Longer lead times were attributed to greater global demand for inputs and capacity issues at suppliers.

continued...

Comment

Siân Jones, Senior Economist at IHS Markit said:

"US goods producers continued to register marked upturns in output and new orders in August, as demand flourished once again. That said, constraints on production due to material shortages exerted further pressure on capacity as backlogs of work rose at a near-record rate.

"Not only were firms facing difficulties trying to clear outstanding work, they also faced further hikes in supplier costs. The pace of cost inflation exceeded the previous series record amid a pervasive scarcity of inputs. Favourable demand conditions allowed finished goods prices to also rise at an unprecedented rate, as firms sought to protect their margins.

"Delivery times lengthened at the second-sharpest rate in over 14 years of data collection, with purchasing activity still rising markedly. It was not only producers who highlighted stockpiling, however, as reports of customers shoring up their holdings of finished items resulted in a substantial drop in post-production inventories. Challenges rebuilding such stocks, including material and labour shortages, and ever-burgeoning levels of incomplete work are likely to remain a feature for some time to come."

Subsequently, cost burdens rose substantially in August. The rate of input price inflation was the fastest seen in more than 14 years of data collection amid supplier price hikes. In an effort to partially pass on greater costs to their clients, goods producers raised their selling prices at the steepest pace on record.

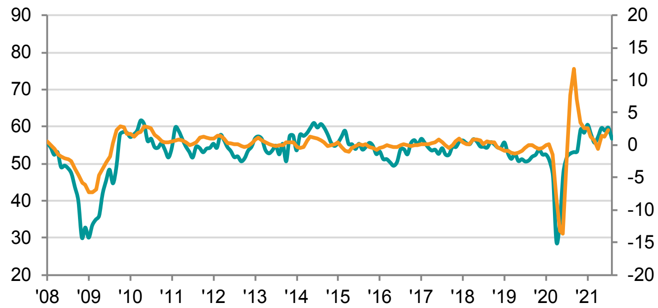
In line with greater new order inflows, manufacturers expanded their input buying during August. Firms also noted that efforts to build safety stocks drove the upturn in purchasing. Although stocks of purchases rose for the sixth month running, the pace of accumulation slowed as firms utilised current holdings of inputs in production. Meanwhile, stocks of finished goods were depleted at the fastest pace since May 2020 as firms struggled to rebuild inventories amid material shortages and pressure on capacity.

Backlogs of work rose markedly midway through the third quarter, and at one of the sharpest rates on record. Despite a further increase in employment, firms expressed challenges retaining staff which reportedly exacerbated constraints on capacity.

Finally, business confidence regarding the outlook for output over the coming year strengthened in August. Greater optimism was linked to hopes of further growth in client demand.

U.S. Manufacturing PMI Output Index
sa, >50 = growth since previous month

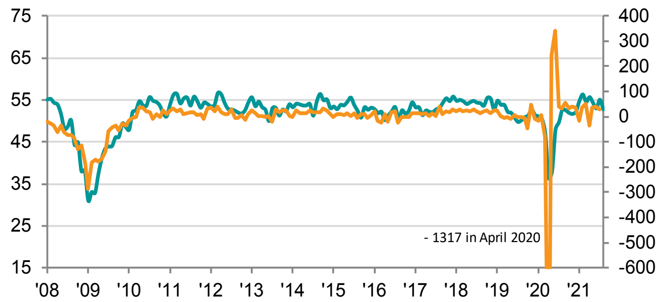
Manufacturing production
%3m/3m



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

U.S. Manufacturing PMI Employment Index
sa, >50 = growth since previous month

Manufacturing payrolls
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

August 2021 data were collected 12-26 August 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.

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.