News Release

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IHS Markit U.S. Manufacturing PMI™

Steepest improvement in operating conditions since September 2014

Key findings

Overall growth boosted by marked expansions in output and new orders

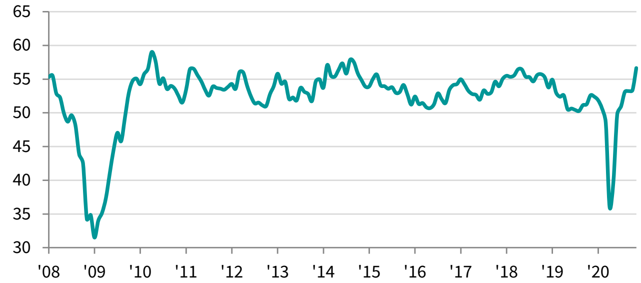
Fastest rise in cost burdens since October 2018

Business confidence strongest since February 2015

Data were collected 12-25 November 2020

U.S. Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

November PMI™ data from IHS Markit signalled a notable improvement in the health of the U.S. manufacturing sector. Overall growth was supported by faster upturns in output and new orders amid stronger domestic and foreign client demand. Employment rose only marginally, however, and pressure on capacity was exacerbated by near-survey record supply chain delays and input shortages. Despite short-term uncertainty reflected in slower hiring, firms were the most confident regarding the outlook for output over the coming year in almost six years.

On the price front, input prices increased markedly and output charges rose at the fastest pace for over two years as firms sought to pass these higher costs on to customers.

The seasonally adjusted IHS Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 56.7 in November, up notably from 53.4 in October and matching the earlier released 'flash' estimate. The improvement in operating conditions was the sharpest since September 2014, as the headline PMI rose for the seventh successive month.

Contributing to the uptick in the headline index was a substantial increase in output at manufacturing firms in November. The rise in production was the steepest in over six years, amid stronger new order inflows.

Goods producers registered a steep rise in new orders midway through the fourth quarter. The upturn was the quickest since May 2018, as growth of demand gained momentum. Anecdotal evidence stated that greater sales were due to more robust demand conditions, with some firms noting that clients were less hesitant to place orders. Meanwhile, foreign client demand picked up, as goods producers indicated a renewed rise in new export orders, albeit only marginal.

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Comment

Chris Williamson, Chief Business Economist at IHS Markit said:

"The manufacturing recovery kicked up a gear in November, with production growth accelerating to the highest for over six years.

"Most encouraging was the breakdown of the rise in new orders which underpinned the expansion. Although demand for consumer goods remained somewhat subdued, mainly reflecting rising virus infection rates, demand for investment goods such as business equipment and machinery rose especially sharply.

"The rise in investment spending sends a welcome signal that companies have become more optimistic about longer term prospects, something that was reinforced by a surge in firms' expectations about production in the year ahead – even in consumer-facing sectors – to the highest since early-2015.

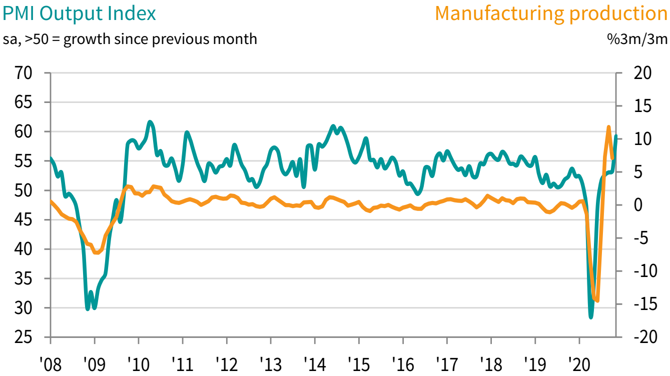
"Confidence was boosted by encouraging vaccine news during the month, auguring well for life returning to normal at some point in the coming year, as well as hopes of increased stimulus spending and infrastructure investment following the election."

Supply chain disruptions led to a sharper and marked rise in input costs during November, as raw material shortages and COVID-19 restrictions pushed prices higher. The rate of cost inflation was the fastest since October 2018. Stronger demand conditions allowed firms to partially pass-through greater cost burdens on to clients, as selling prices rose at the steepest pace for over two years.

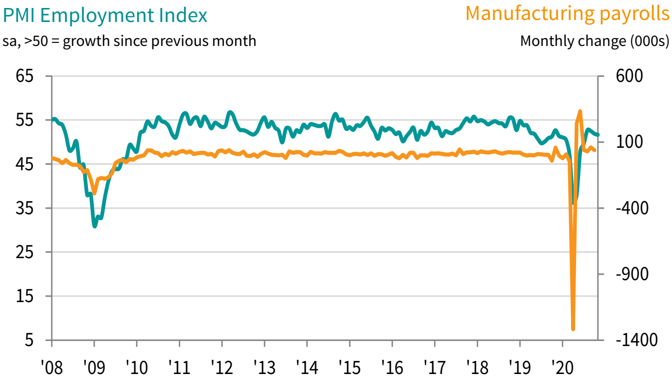
Despite a faster upturn in new orders, manufacturers registered a softer increase in employment. The rate of job creation was only marginal overall, with some firms stating that short-term uncertainty over demand and efforts to rein in spending weighed on workforce numbers.

Nonetheless, supply delays led to the strongest rise in backlogs of work for over six years. In fact, vendor performance deteriorated to the greatest extent since May. As a result of longer wait times for inputs, stocks were depleted in November. Post-production inventories saw a renewed decrease, after a slight rise in October, while the rate of decline in stocks of purchases quickened despite a rise in purchasing activity.

Finally, expectations regarding output over the coming year improved to the strongest since February 2015. Hopes of a vaccine and sustained increases in client demand reportedly drove optimism.



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



Sources: IHS Markit, Bureau of Labor Statistics.

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

November 2020 data were collected 12-25 November 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.

Flash vs. final data

Flash data were calculated from 87% 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.