News Release

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IHS Markit U.S. Manufacturing PMI™

Strongest improvement in operating conditions since January 2019

Key findings

Output growth accelerates to fastest in ten months

Second-sharpest rise in employment since November 2019

Business confidence moderates on election and virus uncertainty

Data were collected 11-24 September 2020.

September PMI™ data from IHS Markit indicated the sharpest improvement in operating conditions across the U.S. manufacturing sector since early-2019. Overall growth was supported by a faster expansion in production and a solid rise in new orders. As a result, firms continued to broaden their workforce numbers, as hiring increased following further upward pressure on capacity. Nonetheless, output expectations moderated in September amid increased uncertainty regarding the coronavirus disease 2019 (COVID-19) pandemic and the upcoming presidential election.

Meanwhile, cost burdens rose sharply once again, with selling prices increasing at the fastest rate since January 2019.

The seasonally adjusted IHS Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 53.2 in September, broadly in line with 53.1 seen in August, but down slightly from the earlier 'flash' reading of 53.5. The solid improvement in the health of the goods-producing sector was the steepest since January 2019, and signalled a further recovery from April's nadir.

Contributing to the overall upturn was a quicker rise in output at the end of the third quarter. The rate of growth was the sharpest for ten months and solid overall. A number of firms attributed the expansion to a further uptick in new orders and the resumption of operations at clients.

At the same time, manufacturers indicated a solid, albeit slightly slower, increase in new order inflows. The rate of expansion was the second-fastest for almost a year, as panellists continued to note strengthening demand conditions following the marked contractions seen throughout the second quarter. New export orders also picked up and, although slowing from August's recent peak, the rate of growth was faster than the series trend.

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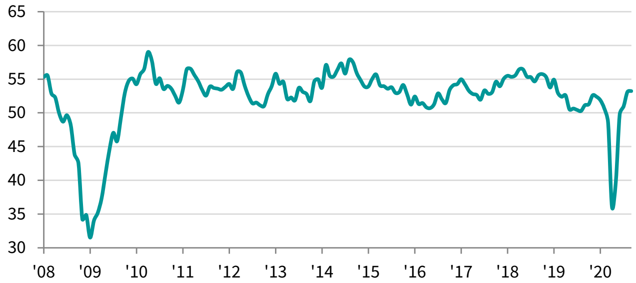
U.S. Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Chris Williamson, Chief Business Economist at IHS Markit said:

"US manufacturers rounded off a solid quarter which should see the sector rebound strongly from the steep second quarter downturn.

"Encouragingly, companies reported a maked upturn in demand for plant and machinery, which suggests firms are increasing their investment spending again after expansion plans were put on hold during the spring. Similarly, fuller order books helped drive further job creation as firms continued to expand capacity.

"But it was not all good news. Supply shortages worsened as companies increasingly struggled to source enough inputs to meet production requirements. With demand often exceeding supply, prices rose sharply again across many types of inputs, especially metals.

"Growth of new orders for consumer goods also waned during the month, hinting at some cooling of demand from households, commonly blamed on Covid-19. Overall order book inflows consequently slowed compared to August.

"The outlook also darkened, as companies grew more concerned about the sustained economic disruption from the pandemic alongside uncertainty caused by the upcoming presidential election. The sector therefore looks to be entering the fourth quarter on a slower growth trajectory, adding to signs that fourth quarter GDP growth will wane considerably from the third quarter rebound."

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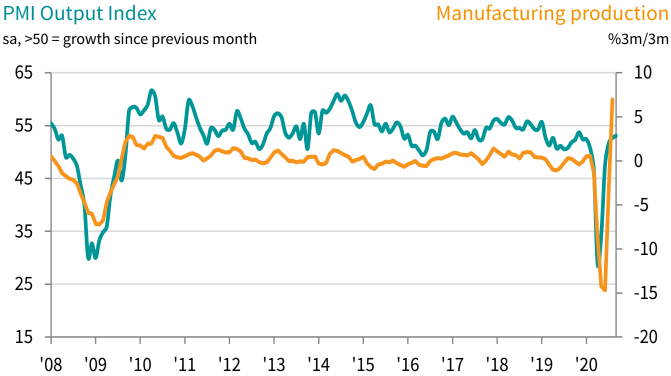
Greater new sales led to further pressure on capacity at manufacturing firms. As a result, companies registered a second monthly rise in backlogs of work. To help alleviate pressure, firms expanded their workforce numbers again. The upturn in employment was slightly slower than that seen in August and modest, but was nevertheless the second-strongest since November 2019.

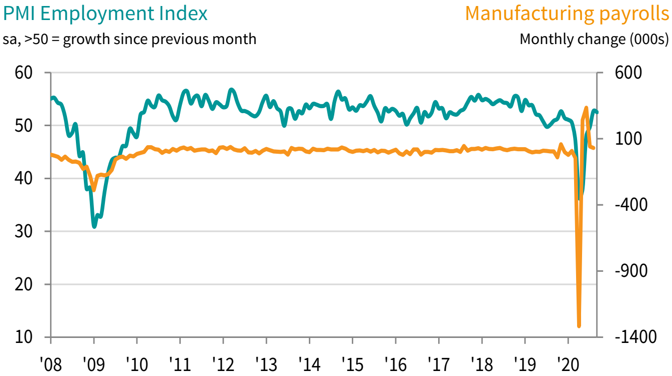
Meanwhile, business confidence eased in September. Although firms remained optimistic regarding the outlook for output over the coming year on balance, positive sentiment was weighed down by uncertainty towards the ongoing pandemic and the upcoming election. The overall degree of confidence was the lowest for four months.

Average cost burdens continued to rise at a sharp pace in September, albeit at a slightly slower rate than August's recent high. Inflation was linked by panellists to greater raw material costs and supplier shortages, with many also mentioning higher PPE prices. A further uptick in client demand allowed firms to partially pass on greater costs to clients through higher charges. Selling prices rose at the steepest rate since January 2019.

Finally, input buying remained modest in September. Although firms expanded their purchasing activity, supplier delays and the use of stocks in production led to a renewed contraction in pre-production inventories. Stocks of finished goods also fell as companies met demand from stock.



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.

Survey dates and history

September 2020 data were collected 11-24 September 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 88% of final responses. Since October 2009 the average difference between final and flash Manufacturing PMI values is 0.0 (0.3 in absolute terms).

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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.
ihsmarkit.com/products/pmi.html.

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