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## IHS Markit U.S. Manufacturing PMI™

### Production growth accelerates amid stronger client demand, but supply chain disruption remains marked

#### Key findings

Output expands at faster rate as growth in new order inflows strengthens

Supply chain disruption leads to soaring cost pressures

Backlogs of work rise at quickest pace on record

Data were collected 12-24 May 2021.

May PMI™ data from IHS Markit indicated a substantial improvement in the health of the U.S. manufacturing sector, with the rate of overall growth accelerating to a fresh record high. The upturn was supported by stronger expansions in output and new orders, with the pace of the latter reaching the fastest on record. Nonetheless, constraints on production capacity were exacerbated further during the month, as severe supply-chain disruptions led to a marked accumulation of backlogs of work and one of the fastest rises in input prices since data collection began in May 2007.

Although firms were able to partially pass on higher cost burdens, supply shortages and the potential for future strain on capacity pushed output expectations down to their lowest for seven months.

The seasonally adjusted IHS Markit U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 62.1 in May, up from 60.5 in April and from the earlier release 'flash' estimate of 61.5. The increase in business activity signalled among U.S. manufacturers was among the strongest in the 14-year series history.

Contributing to the uptick in the headline figure was a significant expansion of production during May. The increase in output was widely attributed to stronger client demand and a further marked rise in new order inflows. The accelerated pace of growth in production was the second-strongest since late-2014. That said, component shortages and supplier delays reportedly continued to limit operating capacity, and stymied the upturn. Although the extent to which lead times for inputs lengthened softened slightly, it was among the most marked on record.

New orders increased at the fastest pace on record in May, as both domestic and foreign client demand ticked higher. The upturn was often linked to the loosening of COVID-19 restrictions and successful vaccine rollouts, which led to stronger demand conditions. Similarly, new export order growth quickened, and was the sharpest since the first month of data collection in May 2007.

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 are enjoying a bumper second quarter, with the PMI hitting a new high for the second month running in May. Inflows of new orders are surging at a rate unsurpassed in 14 years of survey history, buoyed by reviving domestic demand and record export sales as economies reopen from COVID-19 restrictions. However, elevated levels of other survey indicators are less welcome: prices charged by manufacturers are also rising at an unprecedented rate, linked to soaring input costs and unparalleled capacity constraints.

“Not only is operating capacity being curbed by record supply chain delays so far in the second quarter, but firms have also been increasingly unable to hire sufficient staff. Hence backlogs of work are building up at an unprecedented rate, as firms struggle to meet demand.

“These backlogs of orders should support further production growth in the next few months, adding to signs of impressive economic expansion over the summer. But manufacturers’ expectations further ahead have moderated, hinting that the growth rate is peaking, linked to worries about capacity limits being reached, rising prices hitting demand and a peaking of stimulus measures.”

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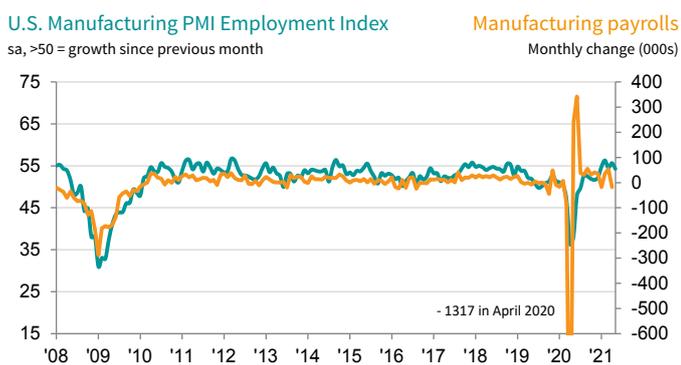
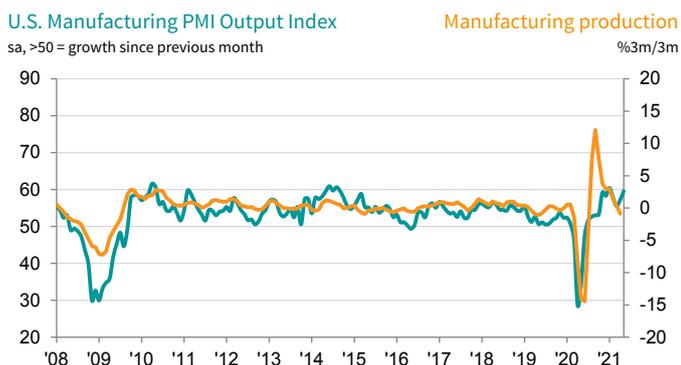
As a result of the combination of strong demand and supply constraints, supplier prices were hiked once again, leading to the sharpest rise in cost burdens since July 2008. Greater demand for inputs across the sector, in addition with higher logistics fees, were commonly cited as factors driving the rise in input prices.

Firms sought to pass on higher cost burdens to their clients amid favourable demand conditions, with the rate of charge inflation quickening to a fresh series high.

Meanwhile, backlogs of work rose at an unprecedented pace. Despite a further expansion in employment, firms noted that efforts to process work-in-hand were stymied by input shortages. As such, the rate of job creation slowed to the softest since December 2020. Others also stated that the slower rise in employment was linked to difficulties finding suitable candidates and struggles to fill available vacancies, exacerbating capacity constraints.

In an effort to protect against future supply shortages, firms increased their input buying activity markedly. Pre-production inventories were built at the fastest rate on record, but stocks of finished goods fell further as holdings were used to supplement production.

Finally, supply issues weighed on business confidence in May. The degree of optimism remained upbeat on average, but dipped to a seven-month low amid concerns regarding future supply flows.



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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](mailto:economics@ihsmarkit.com).

**Survey dates and history**

May 2021 data were collected 12-24 May 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.

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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.

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