News Release

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IHS MARKIT US MANUFACTURING PMI™

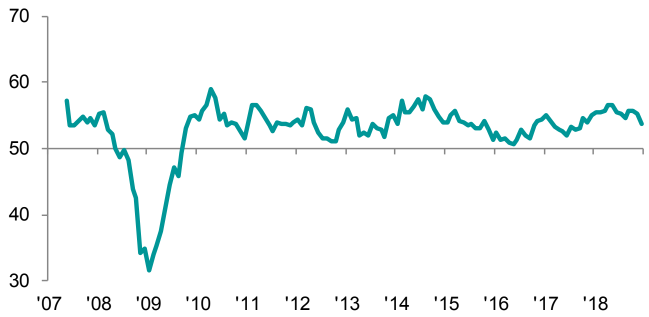
PMI slips to 15-month low in December

KEY FINDINGS

Weakest improvement in operating conditions since September 2017

New order growth eases to 15-month low

Business confidence lowest since October 2016



December data indicated a slower, albeit still solid improvement in the health of the U.S. manufacturing sector. The headline PMI dipped to a 15-month low amid a weaker rise in new business and the joint-softest expansion in output since September 2017. At the same time, the pace of job creation eased to an 18-month low, despite a further rise in backlogs. Notably, business confidence among manufacturers fell again in December, with the degree of optimism dipping to the lowest since October 2016. Meanwhile, inflationary pressures eased at the end of 2018.

The seasonally adjusted IHS Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 53.8 in December, down from 55.3 in November. The latest headline figure suggested a weaker, but still strong, improvement in operating conditions across the goods producting sector. Although ending the year with a softer overall expansion, the final quarterly average of 2018 was strong and quicker than that seen in 2017.

Production growth remained solid in December, and at a rate that matched that seen in November. The rise in output was attributed to greater new order volumes. That said, the upturn was nonethless the joint-weakest in 15 months.

Following a slight pick up in November, new order growth eased in December. Though strong, the pace of expansion was the weakest since September 2017. Although some firms stated that the upturn was driven by new order inflows from newly acquired clients, others cited concerns surrounding a drop in client demand compared to earlier in the year.

Conversely, new export business grew at an accelerated pace in December. New orders from abroad increased for the fifth successive month and at the fastest rate since January amid stronger foreign client demand.

That said, a weaker overall rise in new orders led to a drop in business confidence among manufacturing firms in December. The degree of optimism was strong, but well below the long-run series average. Positive sentiment was dampened by concerns surrounding the longevity of new business growth. Moreover, future output expectations were at their lowest since October 2016.

Despite a moderate rise in backlogs in December, the rate of job creation softened to an 18-month low. Although firms noted an increase in workforce numbers following greater production requirements, others suggested that low rates of employee retention had weighed on growth.

Meanwhile, rates of both input price and output charge inflation eased in December. Greater cost burdens were reportedly due to raw material stockpiling among manufacturers, shortages of electronics components and the ongoing impact of tariffs. That said, the rate of inflation dipped to an 11-month low. Factory gate prices meanwhile rose at the weakest rate in 2018.

PMI™ By IHS Markit

COMMENT

Chris Williamson, Chief Business Economist at IHS Markit said:

"Manufacturers reported a weakened pace of expansion at the end of 2018, and grew less upbeat about prospects for 2019. Output and order books grew at the slowest rates for over a year and optimism about the outlook slumped to its gloomiest for over two years. The month rounds of a fourth quarter in which manufacturing production is indicated to have risen at only a modest annualised rate of about 1%.

"Some of the weakness is due to capacity constraints, with producers again reporting widespread difficulties in finding suitable staff and sourcing sufficient quantities of inputs. However, the survey also revealed signs of slower demand growth from customers, as well as rising concerns over the impact of tariffs. Just over two thirds of manufacturers reporting higher costs attributed the rise in prices to tariffs.

"Growth was led by strengthening demand for consumer goods, and robust growth was also reported for investment goods such as plant and machinery. But producers of intermediate goods – who supply inputs to other manufactures – reported the weakest rise in new orders for over two years, hinting at increased destocking by their customers.

"A shift to inventory reduction was highlighted by purchasing activity in the manufacturing sector rising at the weakest rate for one and a half years in December, providing further evidence that companies have become increasingly cautious about spending amid rising uncertainty about the outlook."

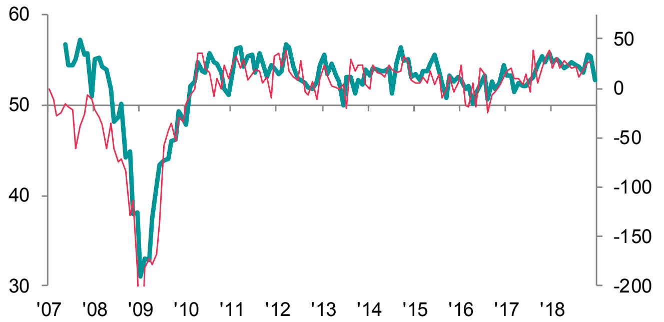
Output Index — Manufacturing production

sa, >50 = growth since previous month — %3m/3m

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

Employment Index — Manufacturing payrolls

sa, >50 = growth since previous month — Monthly change (000s)



Sources: IHS Markit, Bureau of Labor Statistics.

CONTACT

IHS Markit

Chris Williamson
Chief Business Economist
T: ++44-20-7260-2329
chris.williamson@ihsmarkit.com

Siân Jones
Economist
T: +44-1491-461-017
sian.jones@ihsmarkit.com

Joanna Vickers
Corporate Communications
T: +44-207-260-2234
joanna.vickers@ihsmarkit.com

Methodology

The IHS Markit US 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.

December 2018 data were collected 5-17 December 2018.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

About IHS Markit

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