

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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IHS Markit U.S. Manufacturing PMI™ – final data

Manufacturing PMI slips to eight-month low in May

Key findings:

- Moderate improvement in overall business conditions
- New orders rise at slowest pace since September 2016
- Input cost inflation eases to six-month low

Data collected May 12-24

IHS Markit U.S. Manufacturing PMI (s. adjusted)



Source: IHS Markit.

U.S. manufacturing companies indicated an upturn in business conditions during May, but the latest survey revealed a further loss of momentum from the peak seen at the beginning of 2017. The softer overall improvement in manufacturing conditions reflected a moderation in new business growth to its weakest for eight months, alongside relatively subdued increases in output and employment. May data also pointed to more cautious inventory policies, with stocks of purchases falling at the fastest pace since August 2016.

At 52.7 in May, down fractionally from 52.8 in April, the seasonally adjusted **IHS Markit final US**

Manufacturing Purchasing Managers' Index™ (PMI™) was above the 50.0 no-change value, but signalled the weakest improvement in business conditions since last September. The latest reading pointed to a further growth slowdown from the 22-month high recorded in January (55.0). Weaker new business growth and softer job creation helped to offset a marginally stronger upturn in production volumes.

May data indicated that **manufacturing output** increased for the twelfth month running. The rate of expansion picked up slightly from April's seven-month low, but remained relatively modest overall. Survey respondents noted that subdued new business growth and more cautious inventory policies had acted as a brake on production requirements. Reflecting this, **stocks of finished goods** were accumulated at a slower pace than seen at the start of 2017. Meanwhile, **pre-production inventories** dropped for the second month running, which contrasted with robust rates of stock building earlier this year.

New order levels increased again in May, although the rate of expansion was the least marked recorded since September 2016. This was mainly linked to subdued client demand. Some manufacturers also cited weak **export sales**, as highlighted by a slower upturn in new work from abroad than that seen in April.

The latest survey pointed to a decline in **backlogs of work** for the first time since May 2016. Manufacturing firms noted that sustained **staff hiring** had helped to alleviate capacity pressures. Payroll numbers increased at a modest pace in May, although the latest rise was much softer than the 18-month peak seen in December 2016. Survey

respondents noted that resilient business confidence and optimism about the general economic outlook had helped to underpin staff recruitment in May.

Meanwhile, **input price inflation** eased sharply from April's two-and-a-half year peak. Moreover, the latest rise in average cost burdens was the slowest for six months. Receding cost pressures and intense competition for new work led to a slower pace of **factory gate price inflation** in May.

Comment

Commenting on the final PMI data, Chris Williamson, Chief Business Economist at IHS Markit said:

“Manufacturing growth momentum continued to ebb in May, down to its weakest since just before the presidential election.

“Manufacturing output, order books and employment all grew at only modest rates as sluggish sales prompted firms to scale back hiring. Exports sales remained especially lacklustre, hampered in part by the relatively strong dollar. The survey also brought signs of companies becoming more cautious about holding inventory.

“Factories’ raw material prices meanwhile rose at a sharply reduced rate, which should at least help take pressure off profit margins and also feed through to weaker pressure on consumer price inflation.”

-Ends-

For further information, please contact:

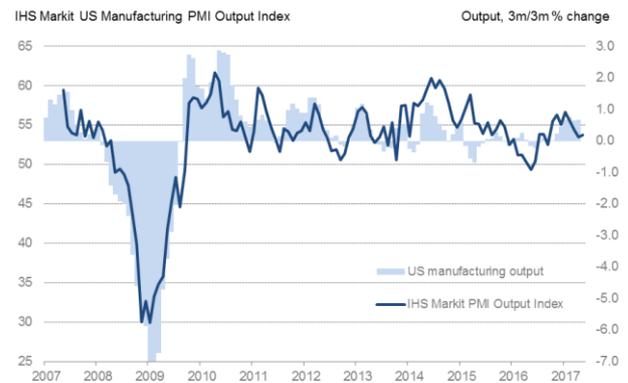
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Manufacturing output



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

Manufacturing employment



Sources: IHS Markit, Bureau of Labor Statistics.

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Note to Editors:

IHS Markit originally began collecting monthly *Purchasing Managers' Index*™ (PMI™) data in the U.S. in April 2004, initially from a panel of manufacturers in the U.S. electronics goods producing sector. In May 2007, IHS Markit's U.S. PMI research was extended out to cover producers of metal goods. In October 2009, IHS Markit's U.S. Manufacturing PMI survey panel was extended further to cover all areas of U.S. manufacturing activity. Back data for IHS Markit's U.S. Manufacturing PMI between May 2007 and September 2009 are an aggregation of data collected from producers of electronic goods and metal goods producers, while data from October 2009 are based on data collected from a panel representing the entire U.S. manufacturing economy. IHS Markit's total U.S. Manufacturing PMI survey panel comprises over 600 companies.

The panel is stratified by North American Industrial Classification System (NAICS) group and company size, based on industry contribution to U.S. GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The *Purchasing Managers' Index*™ (PMI™) is a composite index based on five of the individual indexes with the following weights: New Orders – 0.3, Output – 0.25, Employment – 0.2, Suppliers' Delivery Times – 0.15, Stocks of Items Purchased – 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

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