

Embargoed until 0945 EDT (1345 UTC) 4 September 2018

IHS MARKIT US MANUFACTURING PMI™

August PMI signals strong growth despite dipping to nine-month low

KEY FINDINGS

PMI indicates strong improvement in operating conditions

Rates of output and new order growth ease but remain solid

Inflationary pressures soften

August data indicated a strong overall improvement in the health of the U.S. manufacturing sector. The upturn was supported by further rises in output and new orders, and a renewed increase in export sales. That said, production rose at the weakest rate for almost a year. The latest upturn in new business drove solid increases in employment and backlogs. Meanwhile, rates of both input price and output charge inflation softened to six- and five-month lows, respectively. On a positive note, business confidence improved and reached a three-month high.

The seasonally adjusted IHS Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™) registered 54.7 in August, down from 55.3 in July. Although signalling the weakest improvement in operating conditions since last November, the PMI indicated a strong overall manufacturing performance. Moreover, the latest figure remained well above the long-run series average.

Output growth across the goods-producing sector remained strong, despite the rate of expansion softening to an 11-month low. Panellists that reported higher output generally linked this to greater new order volumes.

Similarly, new business rose at a slightly slower, albeit still strong, rate in August. Anecdotal evidence stated that greater new orders from home and abroad had driven growth. Moreover, new business from abroad returned to expansionary territory. However, some panellists noted that client demand was relatively lacklustre when compared to the start of the year, leading to a slightly weaker overall

Manufacturing PMI
sa, >50 = improvement since previous month



upturn.

Consequently, rates of employment and backlog growth remained solid. This was despite rates of growth softening to four-month lows. Anecdotal evidence commonly stated that job creation stemmed from increased production requirements and greater efforts to recruit skilled labour.

On the price front, manufacturers signalled a marked rise in input costs. Although the rate of inflation softened to a six-month low, it remained marked and was linked to new trucking regulations, higher raw material prices (in part driven by tariffs), and supply shortages (especially for electronics components).

Average charges rose strongly, with respondents reportedly partly passing higher costs on to clients in order to protect profit margins. Although dipping to a five-month low, the rate of inflation remained well above the long-run series trend.

Meanwhile, supplier delivery times lengthened further in August. Although lead times increased to the weakest extent since February, the rate of deterioration remained historically marked. Panellists continued to report widespread stockpiling of inputs, with buying activity rising solidly.

Finally, expectations towards output over the coming 12 months improved. The degree of confidence reached a three-month high.

COMMENT

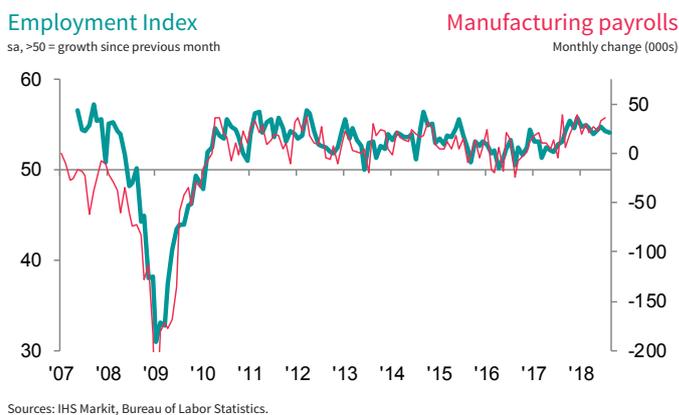
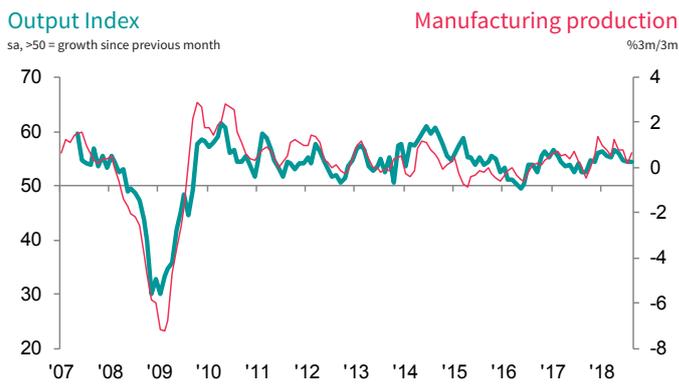
Chris Williamson, Chief Business Economist at IHS Markit said:

"Manufacturers reported the smallest output rise for almost a year in August, suggesting production growth could be as weak as 0.2% in the third quarter.

"Exports remain the key source of weakness for producers, with foreign orders barely rising in August after two months of modest declines. The strongest growth is being seen in consumer-facing companies, reflecting robust domestic demand, in turn linked to the strong labour market and buoyant consumer confidence, though even here growth has slowed.

"However, at least some of the slowdown compared to earlier in the year reflects production being curbed by widespread shortages of inputs, hauliers and labour, leading to a further build-up of backlogs of work. For producers of investment goods such as plant and machinery, order books are backing-up at a rate not exceeded in over ten years.

"Tariffs and trade wars were also commonly cited as factors behind companies building safety stocks of inputs to ensure supply or lock-in lower prices, exacerbating supply shortages and also driving prices even higher. Looking at the survey responses, almost two-thirds (64%) of companies reporting higher input prices explicitly blamed tariffs as the cause of increased costs. Almost one-in-three went on to cite tariffs as the cause of having to hike prices to customers. Overall price pressures eased somewhat, however, which if sustained could take some heat off consumer price inflation in coming months."



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.

August 2018 data were collected 13-24 August 2018.

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

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (Nasdaq: 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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2018 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, click [here](#).

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.