

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

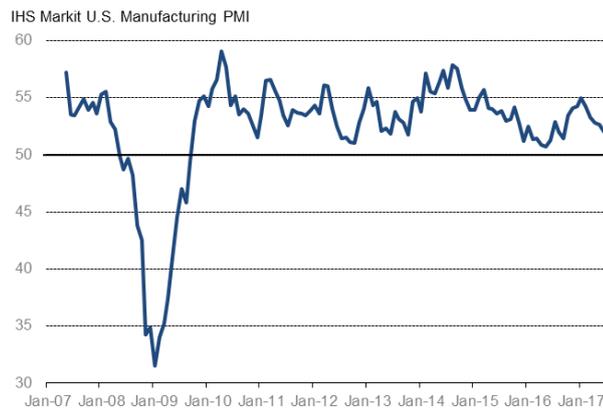
Manufacturing growth weakens again in June

Key findings:

- Slowest rise in production volumes since September 2016
- New order growth eases for fifth month running
- Input prices broadly unchanged in June

Data collected June 12-26

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



Source: IHS Markit.

June data pointed to a relatively subdued month for the U.S. manufacturing sector, with output, new order and employment growth all slowing since May. At the same time, survey respondents signalled resilient confidence towards the year ahead outlook, with optimism up to its strongest level since February. Meanwhile, cost pressures were the weakest recorded for 15 months, which resulted in the slowest pace of factory gate price inflation since late-2016.

The seasonally adjusted IHS Markit final US Manufacturing Purchasing Managers' Index™ (PMI™) registered 52.0 in June, down from 52.7 during May, to signal the least marked improvement

in overall business conditions since September 2016. Slower rates of output and new business growth were the main factors weighing on the headline PMI in June, which more than offset a stronger contribution from the stocks of purchases component.

Higher levels of manufacturing production have been recorded since June 2016. However, the rate of expansion was only modest and eased to a nine-month low in June. Survey respondents noted that softer new business growth continued to act as a brake on production schedules.

Some firms noted that efforts to boost inventories of finished goods helped to lift output levels. The latest rise in post-production inventories was the fastest recorded since January's survey-record high. Stocks of purchases also increased in June, with the rate of inventory accumulation the sharpest for four months.

New order books improved in June, but the latest increase was the weakest since September 2016. Reports from survey respondents cited subdued demand and renewed risk aversion among clients. Export sales increased only marginally, which manufacturers linked to intense competitive pressures and a continued growth headwind from the strong dollar.

The latest survey marked four years of sustained employment growth across the manufacturing sector. However, the pace of job creation eased to its lowest since March. Companies reporting a rise in payroll numbers mainly commented on efforts to boost operating capacity and hopes of an upturn in sales. Just over one-third of the survey panel (35%) anticipate a rise in production volumes in the next

12 months, while only 2% forecast a reduction.

A key positive development for the manufacturing sector was a marked easing in cost pressures to their lowest since March 2016. Manufacturers noted that lower commodity prices had helped to alleviate input cost inflation in June. Factory gate charges also increased at a softer pace, with the latest rise only marginal and the weakest seen for seven months.

Comment

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

“Manufacturers reported a disappointing end to the second quarter, with few signs of growth picking up any time soon.

“The PMI has been sliding lower since the peak seen in January and the June reading points to a stagnation – at best – in the official manufacturing output data.

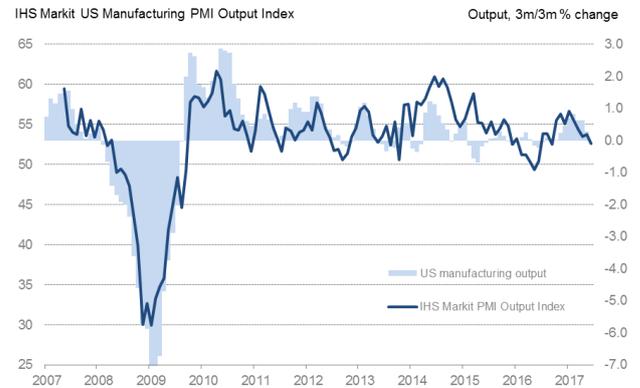
“The survey’s employment index meanwhile suggests that factories will make little or no contribution to non-farm payroll growth in June.

“Forward looking indicators – notably a further slowdown in inflows of new business to a nine-month low and a sharp drop in the new orders to inventory ratio – suggest that the risks are weighted to the downside for coming months.

“Any good news was saved for inflation, with price pressures easing substantially in June on the back of waning global commodity prices.”

-Ends-

Manufacturing output



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

Manufacturing employment



Sources: IHS Markit, Bureau of Labor Statistics.

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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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