

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

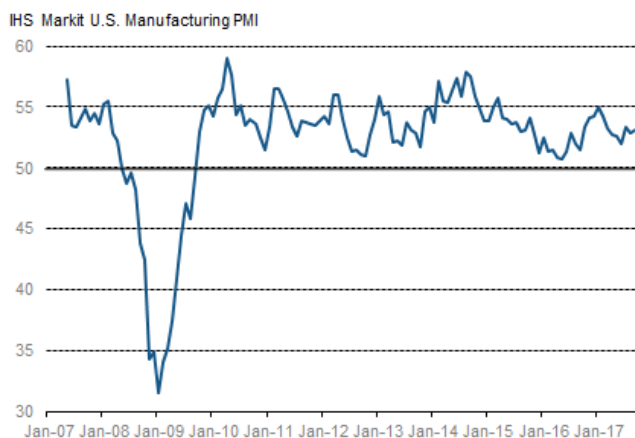
September PMI signals further improvement in manufacturing conditions

Key findings:

- Production rises modestly but new order growth softens
- Employment expands at quickest rate for nine months
- Input prices increase at fastest pace since December 2012

Data collected September 12-25

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



Source: IHS Markit.

September survey data signalled a further improvement in operating conditions across the US manufacturing sector. The overall upturn was supported by further growth in output and new orders. Strong client demand was a key factor behind the fastest rise in staffing levels so far this year. Business confidence also remained strong, despite slipping since August. On the price front, cost pressures intensified, with input prices increasing at the quickest pace since December 2012. Output changes meanwhile rose at the

steepest rate for five months.

The seasonally adjusted IHS Markit final **US Manufacturing Purchasing Managers' Index™ (PMI™)** registered 53.1 in September, up slightly on the flash reading of 53.0 and rising from 52.8 in August. The upturn signalled a slight pick up in growth momentum and a strong improvement in overall operating conditions across the sector.

Production growth continued to expand at the end of the third quarter, though the rate of growth was unchanged from August's 14-month low. Nonetheless, a number of panellists suggested the rise in production was due to improved market conditions.

New orders received continued to increase in September. Anecdotal evidence linked the rise to strong client demand and greater marketing activity. That said, the pace of expansion of new orders eased for the second month running. The overall upturn was supported by higher export sales, which rose marginally.

Inflationary pressures intensified as input price inflation accelerated sharply. Moreover, the rate of increase was the fastest since December 2012. Panellists commented that raw material prices - notably for metals - were driven up after the recent hurricanes. Severe weather conditions also contributed to a further deterioration in vendor performance, with lead-times lengthening to the greatest extent since February 2015.

Firms generally passed on greater cost burdens to clients through higher charges. Although the rate of output price inflation reached a five-month high, it was moderate overall.

Backlogs of work continued to rise in September. The pace of accumulation was modest and broadly

in line with that seen in August. To help ease capacity pressures, manufacturing firms increased staff numbers again. The rate of job creation was solid and the strongest in 2017 so far.

In line with weaker new order growth, purchasing activity and stock of inputs both expanded at softer rates. Notably, pre-production inventories only grew fractionally.

Optimism remained robust, despite falling to a four-month low. Manufacturers linked positive sentiment to improved market conditions and planned investment.

Comment

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

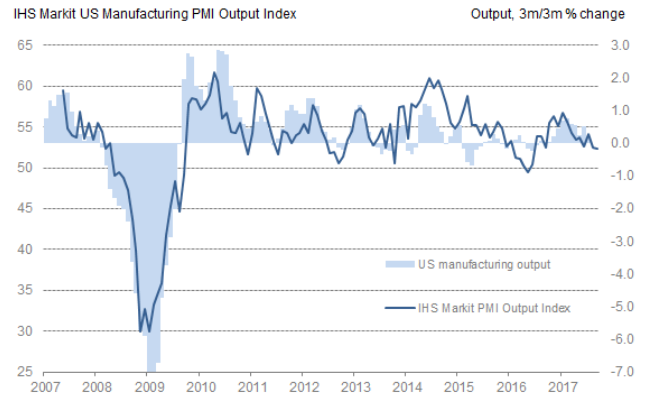
“While the headline PMI remained resiliently elevated in September, despite disruption from hurricanes Harvey and Irma, the details of the survey are more worrying. Output growth was unchanged on August’s 14-month low, and translates into stagnation at best in terms of the official manufacturing output data. Firms’ expectations of future output growth also slipped to a four-month low.

“There was better news on the hiring front, with job creation perking up to a nine-month high. However, with employment rising faster than output, productivity may be slipping.

“Although the hurricanes appear to have made little overall impact on production, supply delays were widely reported and prices for many inputs rose, suggesting some near-term upward pressure on inflation.”

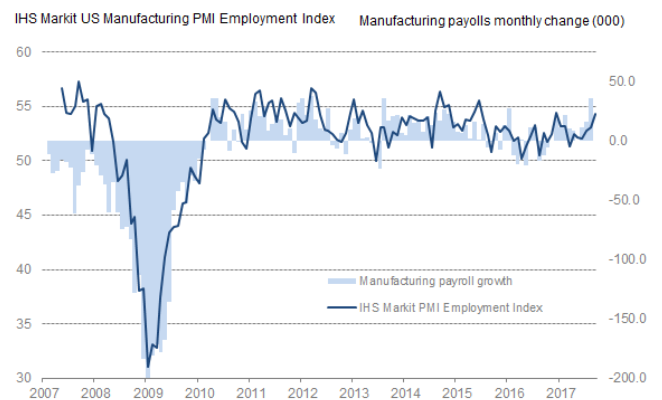
-Ends-

Manufacturing output



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

Manufacturing employment



Sources: IHS Markit, Bureau of Labor Statistics.

For further information, please contact:**IHS Markit**

Sian Jones, Economist

Telephone +44-1491-461-017

Email sian.jones@ihsmarkit.com

Joanna Vickers, Corporate Communications

Telephone +44207 260 2234

E-mail joanna.vickers@ihsmarkit.com**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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