

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

Manufacturing PMI signals robust upturn in business conditions during February

Key findings:

- Production growth eases slightly from January's 22-month peak
- Strong domestic demand offsets subdued export sales in February
- Factory gate charges continue to rise amid robust cost inflation

Data collected February 10-22

Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: IHS Markit.

February data revealed that the U.S. manufacturing sector continued to expand at a robust pace, although the latest upturn was slightly weaker than seen at the beginning of 2017. This largely reflected a moderation in new order growth from January's 28-month peak, alongside a slightly softer increase in output volumes. Meanwhile, manufacturers reported a sustained rise in inventory levels, which was linked to greater production schedules and expected improvements in client demand.

The seasonally adjusted **Markit final US Manufacturing Purchasing Managers' Index™ (PMI™)** posted 54.2 in February, down only slightly from January's 22-month peak of 55.0. As a result, the average reading for Q1 to date indicates that the

manufacturing sector is on course to register its strongest quarterly improvement in business conditions for two years.

Manufacturing production has picked up in each month since June 2016, and the latest rise was one of the fastest recorded over the past two years. A robust pace of output growth was attributed to a combination of increased client spending and efforts to rebuild finished goods inventories in February. Post-production stocks have now risen for five months in a row, which represents the longest period of inventory building since mid-2015.

Mirroring the trend for production volumes, the rate of new business growth moderated only slightly from the peak seen at the start of 2017. Survey respondents commented on improving domestic economic conditions and a boost from greater investment spending among energy sector clients. This helped to offset a near-stagnation in export orders in February. The latest rise in new work from abroad was the weakest since September 2016, reflecting a continued drag on demand from the strong dollar.

Manufacturers responded to greater new business levels by hiring additional staff and increasing their purchasing activity during the latest survey period. The rate of job creation was nonetheless softer than the 18-month peak recorded at the end of 2016. Rising payroll numbers helped to boost operating capacity and contributed to a slower pace of backlog accumulation in February. Meanwhile, strong demand for inputs and efforts to boost pre-production inventories placed pressure on suppliers' stocks and contributed to longer delivery times for raw materials.

February data pointed to a robust rate of input price inflation across the manufacturing sector. Although slightly slower than in January, the latest rise in average cost burdens was still one of the fastest

recorded over the past two-and-a-half years. Rising prices for raw materials in turn led to another moderate increase in average prices charged by manufacturing companies.

Comment

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

“The February survey points to a modest cooling in the rate of expansion of the manufacturing sector, but it remains too early to tell if this is the start of a more prolonged slowdown.”

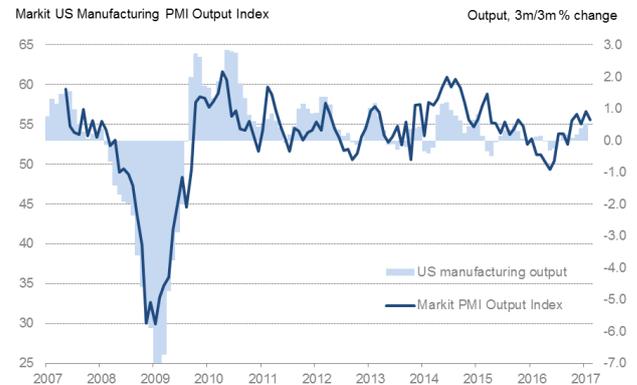
“Even with the latest slowing, the goods-producing sector is still on course for its best quarter for two years, representing a markedly improved picture compared to this time last year.”

“Growth is being driven by robust domestic demand, stemming in turn from buoyant consumers and increased investment spending by the energy sector in particular.”

“Manufacturing is far from booming, however, as the strong dollar means near-stagnant exports continue to act as a drag on growth.”

-Ends-

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:

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, Markit's U.S. PMI research was extended out to cover producers of metal goods. In October 2009, Markit's U.S. Manufacturing PMI survey panel was extended further to cover all areas of U.S. manufacturing activity. Back data for 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. 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.

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 Markit. Please contact economics@ihsmarkit.com.

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