

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0945 (EDT) / 1345 (UTC) September 1st 2016

Markit U.S. Manufacturing PMI™ – final data

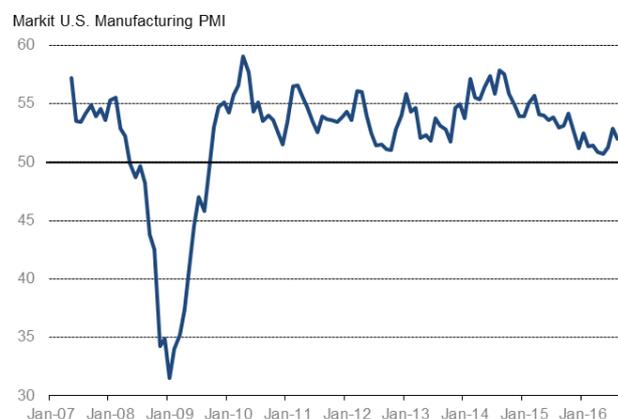
Solid increase in manufacturing production, but new order growth eases in August

Key findings:

- Output growth unchanged from July's eight-month high
- Slower rises in new order volumes and employment
- Input price inflation eases to five-month low

Data collected August 12-24

Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: IHS Markit.

August data pointed to a further moderate upturn in business conditions across the U.S. manufacturing sector. However, the overall pace of improvement slowed since July amid weaker rises in new orders and payroll numbers. The latest survey also highlighted a sustained drop in inventory volumes among manufacturing firms. Meanwhile, input cost inflation remained subdued and average prices charged by manufacturers were broadly unchanged over the month.

At 52.0 in August, the seasonally adjusted **Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™)** dropped from 52.9 in July but remained comfortably above the neutral 50.0 value.

The latest PMI reading was fractionally lower than the earlier 'flash' estimate of 52.1 and signalled a weaker improvement in overall business conditions than the average since the survey began in late-2009 (54.0). Softer rates of new order and employment growth were the main factors weighing on the headline index in August.

Manufacturers indicated a further solid increase in **production volumes** during the latest survey period, with the pace of expansion the joint-fastest since November 2015. Anecdotal evidence suggested that improving economic conditions and sustained new business growth had led to increased production schedules. The latest upturn in **new orders** was slower than the nine-month peak seen in July, despite new export sales rising at the steepest pace since September 2014.

Relatively subdued new order growth led to a weaker pace of **staff hiring** across the manufacturing sector in August. The latest increase in payroll numbers was only marginal and the least marked since April. Some firms also cited efforts to improve efficiency in response to pressure on margins. That said, **backlogs of work** continued to rise in August, which some manufacturers linked to short-term pressures on operating capacity.

The latest survey indicated a reduction in **stocks of finished goods** for the third month running. A number of firms noted that post-production inventories were depleted in response to softer new business growth and caution regarding the demand outlook. **Stocks of inputs** were also reduced in August, although at the slowest rate since February. While some manufacturers commented on the need to boost cash flow, there were also reports citing looser inventory policies in response to **lengthening delivery times** from suppliers.

Meanwhile, **average cost burdens** increased at only a marginal pace in August. The rate of input price inflation was the weakest since March, despite reports of rising raw material costs (especially steel). **Factory gate charges** were broadly unchanged in August, which contrasted with rising output prices during the three months to July.

Comment

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

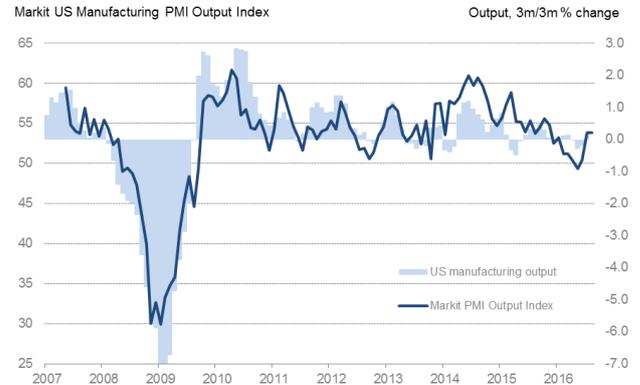
“Despite the PMI falling in August, the survey suggests the third quarter is shaping up to be the best quarter so far this year for manufacturing, with output growth picking up compared to the first half of the year on the back of improved export sales.

“The overall rate of expansion remains only modest, however, and the upturn fragile. Weak domestic demand remains a drag on order books. Concerns about the outlook have also resulted in a marked reduction in the rate of job creation.

“There’s anecdotal evidence to suggest that this at least in part reflects a slowing in the economy in the lead up to the presidential election, meaning there’s scope for growth to revive later in the year. In the meantime, the overall sluggish pace of expansion signalled by the survey, and the slacking of inflationary pressures, provides support to those arguing that interest rates should remain on hold.”

-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

Tim Moore, Senior Economist

Telephone +44-1491-461-067

Email tim.moore@ihsmarkit.com

Ed Canaday, Corporate Communications
Telephone +1 646 679 3031
Mobile +1 917 434 5075
Email: ed.canaday@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44207 260 2234
E-mail joanna.vickers@ihsmarkit.com

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.

About IHS Markit (www.ihsmarkit.com)

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 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners © 2016 IHS Markit Ltd. All rights reserved.

About PMI

Purchasing Managers' Index™ (PMI™) surveys are now available for over 30 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 www.markit.com/economics.

The intellectual property rights to the U.S. Manufacturing PMI™ 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.

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