

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

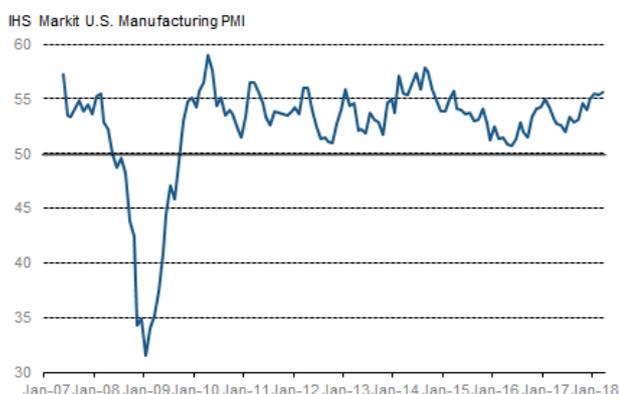
March PMI indicates strongest manufacturing growth for three years

Key findings:

- PMI rises to highest since March 2015
- Output and new orders continue to increase markedly
- Input costs rise to the greatest extent since November 2012

Data collected March 12-23

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



Source: IHS Markit.

March PMI survey data signalled a strong overall improvement in operating conditions across the U.S. manufacturing sector. Output and new orders continued to rise markedly, despite rates of growth softening slightly since February. Job creation also remained strong and backlogs of uncompleted work increased solidly as a result of the recent upturn in client demand. Business confidence about the year ahead meanwhile rose to the highest since February 2015.

Inflationary pressures intensified, however, with rates of both input price and output charge inflation accelerating to multi-year peaks.

The seasonally adjusted IHS Markit final **U.S. Manufacturing Purchasing Managers' Index™ (PMI™)** registered 55.6 in March, up from 55.3 in February. The latest PMI reading indicated the strongest improvement in manufacturing business conditions since March 2015. The average PMI reading over the opening three months of 2018 meanwhile indicated the best quarterly performance since the third quarter of 2014.

Output levels at manufacturing firms continued to expand strongly in March. Although the rate of growth softened to a four-month low, the pace of expansion remained comfortably above the long-run series average. Panellists commonly reported that the latest rise was driven by firmer client demand.

In a reflection of more favourable demand conditions, new orders received by manufacturers expanded sharply, despite growth edging down to a three-month low. Anecdotal evidence commonly attributed the upturn to the acquisition of new clients. Furthermore, new export orders continued to increase, extending the current sequence of expansion to eight months.

On the price front, cost burdens faced by goods producers rose sharply in March. Notably, the rate of inflation accelerated to the fastest since November 2012, with companies stating that price rises often stemmed from recently announced tariffs and higher raw material costs. Average prices charged also continued to increase, with the rate of inflation quickening to the fastest since December 2013.

Firmer demand conditions drove the strongest expansion in buying activity since September 2014, though firms also increased efforts to stockpile

inputs. Consequently, firms signalled greater pressure on supply chains, with delivery times lengthening to the greatest extent since February 2014.

In line with sustained growth in new orders, employment rose further in March. The rate of job creation remained strong, albeit dipping to a four-month low.

Finally, expectations towards the year-ahead outlook for production among manufacturing firms were the most positive for just over three years.

Comment

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

“US factories reported a strong end to the first quarter, with the PMI advancing to a three-year high. The goods producing sector should therefore make a positive contribution to economic growth in the first quarter, as rising demand fueled further improvements in factory production.”

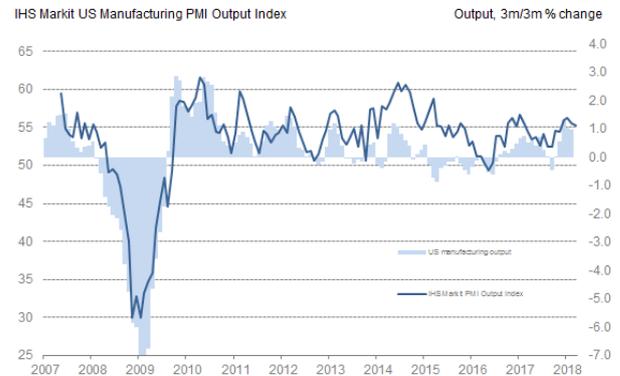
“Optimism about the year ahead has meanwhile also risen to its highest for three years, generating yet another solid payroll gain and suggesting strong growth momentum will be sustained in the second quarter.”

“Companies cited rising demand at home and abroad plus recent government policy announcements as helping shore up confidence in terms of their future production levels.”

“However, recent tariff announcements were already reported to have added to inflationary pressures, and also led to the stockpiling of goods expected to rise further in price in coming months. Input cost inflation consequently hit the highest since 2012. Increased costs were often passed on to customers, meaning prices charged for goods at the factory gate showed the steepest rise in over four years.”

-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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