

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

Manufacturing output growth accelerates to eight-month high

Key findings:

- Manufacturing PMI rises to 52.9 in July
- Faster growth of output, new orders and employment
- Subdued rates of input cost and prices charged inflation continue

Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: IHS Markit.

U.S. manufacturers signalled a relatively strong start to the third quarter of 2016. Output growth picked up markedly since June, driven by a robust and accelerated expansion of incoming new work.

While domestic demand remained the key source of growth in July, there were also signs of renewed momentum in external markets. Reflecting this, new export sales expanded at the fastest pace since September 2014. Increased workloads also contributed to rising payroll numbers and a solid upturn in input buying during July.

The seasonally adjusted Markit final U.S. Manufacturing **Purchasing Managers' Index™ (PMI™)** registered 52.9 in July, up from 51.3 in the previous month and comfortably above the post-crisis low seen in May (50.7). The final PMI reading

for July was unchanged from the earlier 'flash' reading (52.9). Improving business conditions reflected stronger rates of output, new order and employment growth during the latest survey period.

July data signalled a sustained rebound in **production** volumes across the manufacturing sector. Higher levels of output have been recorded in each of the past two months, with the latest expansion the fastest since November 2015. Anecdotal evidence cited greater inflows of new work and supportive economic conditions.

New business growth continued to recover from May's post-crisis low, with the latest improvement in new order books the strongest for nine months. At the same time, **export sales** increased at a modest pace in July, which manufacturers linked to successful promotional initiatives and entry into new markets. Rising workloads in turn contributed to an accumulation of **unfinished business** for the second month running.

Payroll numbers increased in July, which continued the upward trend recorded over the past three years. Moreover, the rate of job creation picked up to its strongest since July 2015. Manufacturers noted that faster new business growth and the launch of new products were key factors boosting staff recruitment at their plants.

Meanwhile, higher levels of incoming new work also resulted in greater volumes of **purchasing activity** during July. Input buying has now risen for three months running and the latest expansion was the steepest since October 2015. However, manufacturers remained cautious in terms of their inventory holdings, with **stocks of finished goods** and **pre-production inventories** both falling since the previous month.

Manufacturers signalled a further moderate increase

in average **cost burdens** in July, which extended the current period of input price inflation to four months. Survey respondents widely commented on higher steel prices. At the same time, **factory gate charges** increased only marginally in July, with firms noting that strong competition for new work continued to exert pressure on operating margins.

Comment

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

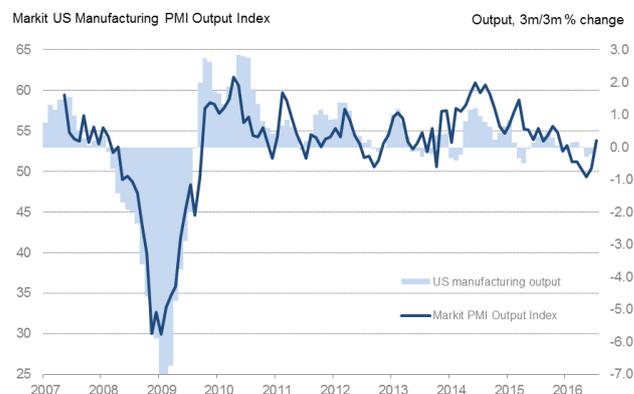
“The stronger manufacturing PMI survey data for July fuel hopes that the sector will act as less of drag on the economy in the third quarter after a disappointing first half of the year.

“Having signalled the sector’s worst performance for over six years in the second quarter, contributing to a sluggishness in the economy that was later seen in the soft GDP numbers, the improvement in July suggests that manufacturers and exporters will have helped lift the economy at the start of the third quarter.

“Job creation has also picked up, hopefully in a sign that producers are seeing a brighter picture, coping with a strong dollar and having put the worst of the energy sector’s restructuring behind them.”

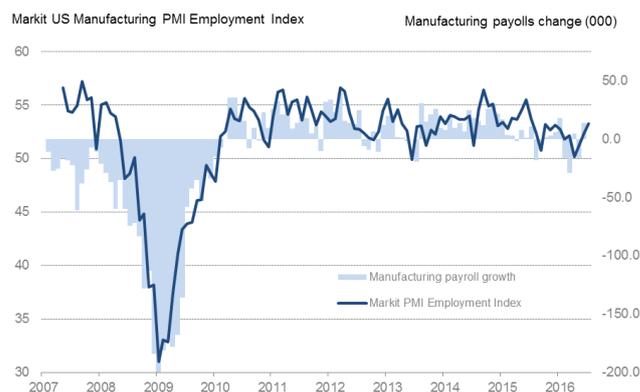
-Ends-

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@markit.com.

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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.

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