

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

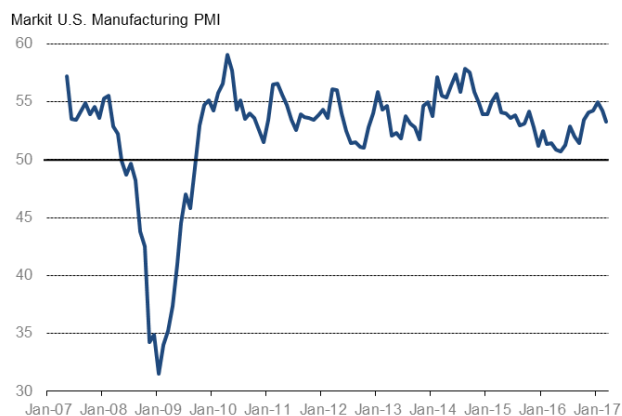
Manufacturing growth slows to six-month low in March

Key findings:

- Headline PMI eases to 53.3, down from 54.2 in February
- New orders rise at weakest pace since October 2016
- Input cost inflation hits two-and-a-half year high

Data collected March 13-27

Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: IHS Markit.

Business conditions continued to improve across the manufacturing sector in March, but the latest upturn was the weakest recorded for six months. The loss of momentum reflected softer rates of output and new order growth, alongside a slower rise in payroll numbers. Manufacturers sought to adjust their inventory strategies in response to more subdued sales growth, with stocks of finished goods reduced for the first time in six months.

Meanwhile, higher raw material prices resulted in the strongest rate of cost inflation since September 2014. Factory gate charges also increased at the fastest pace for around two-and-a-half years.

At 53.3 in March, down from 54.2 in February, the

seasonally adjusted **Markit final US Manufacturing Purchasing Managers' Index™ (PMI™)** eased further from the 22-month peak recorded at the start of 2017 (55.0). The latest reading was the lowest since September 2016.

March data pointed to a further moderation in output growth from the peak seen at the start of 2017. The latest rise in production was the slowest for six months, but still much stronger than the soft patch seen in mid-2016. Survey respondents noted that the improving domestic economic backdrop and rising spending from energy sector clients had helped to boost workloads in March.

New orders expanded at the slowest pace since October 2016, thereby signalling a sustained loss of momentum from the peak seen at the start of the year. Manufacturers cited greater caution among clients, alongside intense competition for new work and subdued export sales. March data pointed to only a marginal increase in new orders from abroad. Survey respondents commented on pressure from the strong dollar. In some cases, manufacturers attributed subdued export growth to a strategic focus on marketing and better sales opportunities in domestic markets.

Mirroring the trend for production and new orders, latest data revealed a sustained slowdown in growth of input buying across the manufacturing sector. Some firms commented on tighter inventory policies, which contributed to a near-stagnation in stocks of purchases in March. At the same time, post-production inventories dropped for the first time since last September.

Meanwhile, suppliers' delivery times lengthened to the greatest degree since February 2015, though weather-related transport disruptions exacerbated supplier delays.

Inflationary pressures picked up again in March, with manufacturers reporting rising prices for a metals and chemicals in particular. Higher costs resulted in the strongest pace of output charge inflation since late-2014.

Comment

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

“The post-election resurgence of the manufacturing sector seen late last year is showing signs of losing steam. Output growth slowed to a six-month low in March, optimism about the outlook has waned and hiring has slowed accordingly.

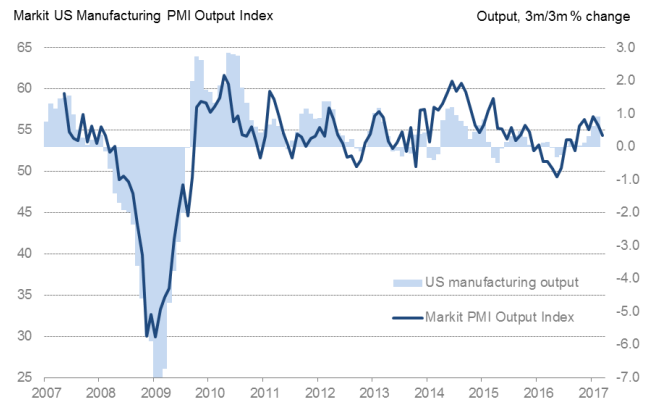
“While the survey data suggest that the goods producing sector enjoyed a relatively good first quarter on the whole, the loss of momentum seen in February and March bodes ill for the second quarter.

“The survey data have acted as a reliable advance guide to official data in the past, and in March indicate a slowing of output growth to an annualised rate of around 2%. The survey’s employment index is meanwhile consistent with official manufacturing payroll numbers falling slightly.

“If the activity numbers send a dovish signal to policymakers, the survey’s price indices favour the hawks. Inflationary pressures have risen to a two and a half year high, despite the oil price easing during the month.”

-Ends-

Manufacturing output



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

Manufacturing employment



Sources: IHS Markit, Bureau of Labor Statistics.

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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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