

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

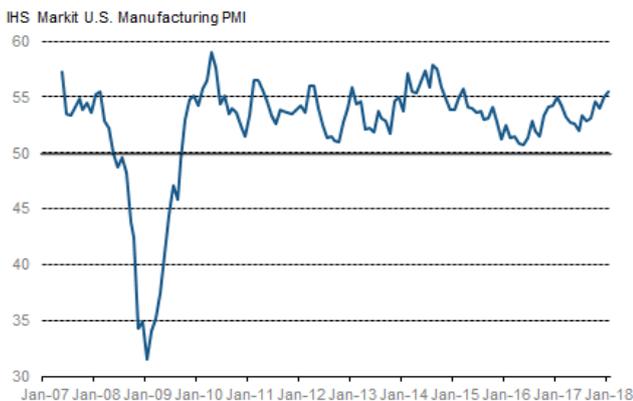
January PMI signals strongest manufacturing growth since March 2015

Key findings:

- Output and new orders expand at quickest rates for a year
- Purchasing activity rises at steepest pace since September 2014
- Input price inflation eases but remains sharp

Data collected January 12-25

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



Source: IHS Markit.

Operating conditions across the US manufacturing sector continued to improve in January, with the latest survey data indicating the strongest upturn since March 2015. Moreover, production levels and new orders grew at the quickest rates in twelve months. Rising global demand also drove a faster expansion in new export orders.

Higher production requirements resulted in a sharp and accelerated increase in buying activity. At the same time, the rate of input cost inflation eased slightly but remained marked overall. Consequently, firms raised their selling prices at the second-steepest pace since September 2014.

The seasonally adjusted IHS Markit final **US Manufacturing Purchasing Managers' Index™ (PMI™)** registered 55.5 in January, up from 55.1 in December. The latest index reading indicated a strong improvement in business conditions across the manufacturing sector. Moreover, the index signalled the strongest upturn in the health of the sector for over two-and-a-half years.

Extending the trend seen since June 2016, manufacturers indicated a further rise in production in January. The rate of growth accelerated to the sharpest in twelve months. Where increases in output were reported, panellists generally linked this to more favourable economic conditions and higher inflows of new work.

Greater domestic and foreign client demand underpinned the largest rise in total new orders since January 2017. New business from abroad registered one of the largest gains seen over the past year and a half.

For the thirteenth month running, vendor performance deteriorated as capacity pressures at suppliers led to longer lead times. Purchasing activity rose at the quickest rate since September 2014, stretching supply chains, and pre-production inventories accumulated at the fastest pace in twelve months.

The latest rise in input costs largely stemmed from greater raw material prices and higher transport costs. Although the rate of inflation was marked, it dipped slightly to a three-month low. Conversely, output charge inflation accelerated to the second-highest since September 2014.

Higher new orders contributed to a further rise in backlogs of work in January. The level of outstanding business at manufacturing firms

increased at the fastest rate since October 2015. Staffing numbers also grew strongly, with a number of panel members linking payroll growth to greater business activity and improved future output expectations.

Business confidence among goods producers remained robust in January, despite dipping to a three-month low. Panellists commonly attributed optimism to more favourable market conditions and sustained rises in output and new orders.

Comment

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

“US manufacturing started 2018 in fine fettle, with the PMI up to its highest for over two-and-a-half years. Output growth accelerated in response to fuller order books, the latter buoyed by the twin drivers of robust domestic demand and rising exports.

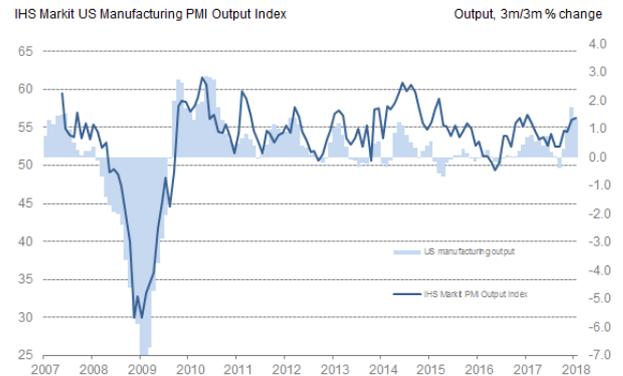
“Factory payroll growth remained among the highest seen over the past three years, underscoring the bullish mood evident across the manufacturing sector.

“Pricing power is also returning as a result of strengthening demand, which should help bolster profit margins, but is likely to also feed through to higher consumer prices.

“The acceleration of manufacturing growth and upward price trends are grist to the mill for Fed hawks, adding to the likelihood of interest rates rising in March.”

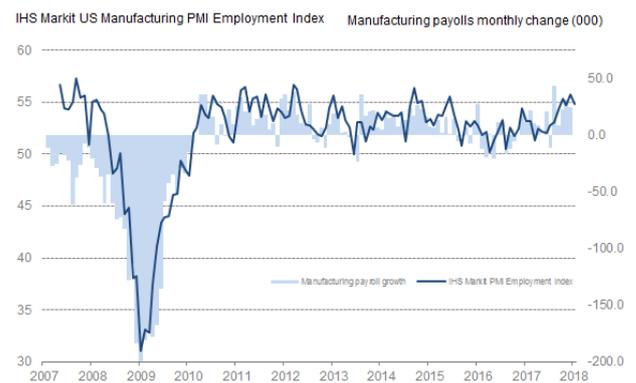
-Ends-

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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