

News Release

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S&P Global US Manufacturing PMI™

Manufacturing decline eases amid renewed rise in output in March

Key findings

Fractional upturn in production as decline in new orders eases

Greatest improvement in input delivery times on record

Cost burdens rise at slowest rate since July 2020

March data indicated a marginal deterioration in the health of the US manufacturing sector, according to the latest PMI™ survey from S&P Global. The decline stemmed from a further drop in client demand and only a slight rise in output. Domestic and foreign demand conditions remained subdued as inflation weighed on purchasing power.

Manufacturers also engaged in cost-cutting initiatives as input buying and pre-production inventories fell. Weak demand for materials drove the quickest improvement in lead times on record. This, in part, supported a softer uptick in cost burdens as suppliers were able to offer lower prices for some items. Subsequently, and in an effort to drive sales, firms moderated hikes in selling prices.

The seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index™ (PMI™) posted 49.2 in March, up from 47.3 in February and broadly in line with the earlier released 'flash' estimate of 49.3. The index reading rose for the third month running to signal the slowest deterioration in operating conditions at US manufacturers in the current five-month sequence of decline.

Goods producers registered a renewed, albeit only fractional, rise in production during March. The increase ended a four-month sequence of contraction, but was subdued in the context of the series history. The upturn in output was linked to the timely delivery of inputs which allowed firms to work through incomplete orders.

Despite an increase in output, client demand remained muted, as new orders fell further at the end of the first quarter. Panel members indicated that new sales decreased due to higher interest rates and inflationary pressures, which continued to exert strain on customer purchasing power. Nonetheless, the rate of contraction softened notably to only a marginal pace.

Weak foreign client demand and global economic uncertainty were reportedly key drivers behind a tenth successive

US Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 10-28 March 2023.

Comment

Siân Jones, Senior Economist at S&P Global Market Intelligence, said:

"The US manufacturing sector continued to signal concerning trends during March. Although output rose for the first time since last October, growth was fractional, and largely supported by ramping up production following an unprecedented reduction in supply chain pressures. The timely delivery of inputs allowed firms to work through backlogs, but sparse demand amid pressure on customer spending due to higher interest rates and inflation spoke to challenges ahead for goods producers if there is little change in domestic and international client appetite.

"Weak demand for inputs resulted in some relief for manufacturers as input cost inflation slowed again. A paucity of new orders sparked efforts to entice customers, however, as selling price inflation eased notably to the weakest since October 2020. Nonetheless, inflationary concerns weighed on business confidence once again amid pressure on margins.

"Encouragingly, firms were able to expand factory workforce capacity again, albeit at only a marginal pace, as skilled candidates for long-held vacancies were found."

PMI™

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monthly decline in new export orders. The pace of decrease quickened to the fastest since last November.

Supporting the upturn in output and a further fall in backlogs was the greatest improvement in vendor performance on record (since May 2007). Shorter lead times were attributed to reduced supply chain issues, weak demand for inputs and improved material availability.

Purchasing activity fell again in March, and some suppliers reportedly adjusted their prices to reflect weaker demand for inputs. Average cost burdens rose at the slowest rate since July 2020, with the rate of inflation softening for the second month running. Although still strong, the pace of increase was weaker than the long-run series average.

Manufacturers recorded a slower rise in average selling prices in March. Though solid, the rate of increase in output charges was the weakest since October 2020. Companies stated that efforts to drive sales led to price discounting at some firms.

Meanwhile, manufacturers continued to fill long-held vacancies, with employment rising at a modest pace. Although easing from February, the rate of job creation was the second-fastest seen since last September.

The ability to work through backlogs was reflected in broadly unchanged stocks of finished goods in March. Where firms noted an increase, this was linked to greater output and customer order postponements. That said, efforts to run down pre-production inventories and reduce costs continued as stocks of purchases fell again.

Goods producers remained strongly upbeat in their outlook for output over the coming year in March. Hopes of greater client demand drove optimism. Confidence slipped to the lowest level in three months amid inflation concerns, however.

Survey methodology

The S&P Global US Manufacturing PMI™ is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 800 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in April 2004.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

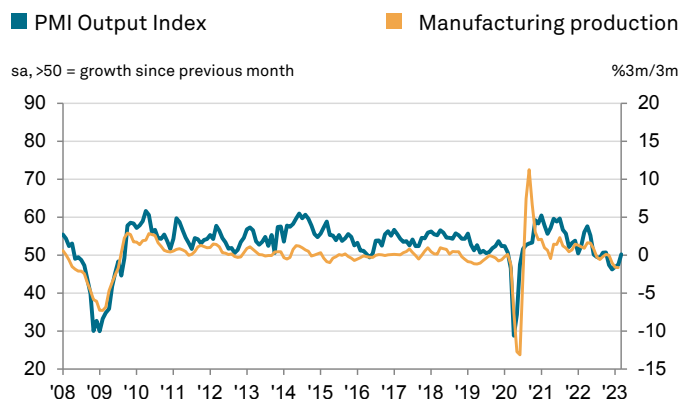
Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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Sources: S&P Global, US Federal Reserve.

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Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 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. ihsmarkit.com/products/pmi.html.