# News Release

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# S&P Global US Manufacturing PMI™

## November sees first deterioration in US manufacturing performance since June 2020

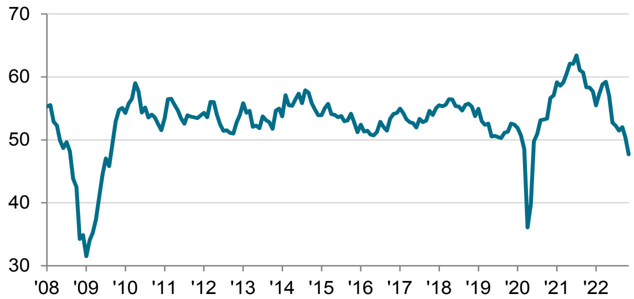
### Key findings

Renewed decline in output amid faster fall in new orders

First improvement in supplier performance since October 2019

Cost pressures ease further

US Manufacturing PMI
sa, >50 = growth since previous month




Source: S&P Global.
Data were collected 11-24 November 2022.

US manufacturing firms signalled a renewed deterioration in operating conditions in November, according to the latest PMI™ data from S&P Global. The downturn was the sharpest since May 2020, and driven by declines in output and new orders. Demand conditions weakened in domestic and external markets, as new export orders fell further. Employment growth slowed as pressure on capacity dwindled and backlogs of work contracted strongly. On a more positive note, supply chains improved for the first time since October 2019, with price pressures softening as a result of reduced demand for inputs from firms. Input costs rose at the slowest rate for two years.

Business confidence remained historically subdued, however, as concerns regarding inflation and customer hesitancy weighed on optimism.

The seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index™ (PMI™) posted 47.7 in November, down from 50.4 in October but broadly in line with the earlier released 'flash' estimate of 47.6. The headline index signalled the first decline in the health of the manufacturing sector since June 2020, with operating conditions deteriorating modestly overall.

Contributing to the fall in the headline reading was a renewed drop in production during November. The decrease in output was solid overall, and the quickest for two-and-a-half years. Where a decline in production was noted, firms linked this to weak client demand and a further downturn in new order inflows.

Manufacturing firms stated that the impact of inflation and higher borrowing costs dented customer demand and led to a reduction in spending again midway through the fourth quarter. New orders fell at the sharpest pace since May 2020, as foreign client demand also waned. New export orders decreased for the sixth month running and at a strong rate.

### Comment

Chris Williamson, Chief Business Economist at S&P Global Market Intelligence, said:

*"A combination of the rising cost of living, higher interest rates and growing recession fears have led to slumping demand for goods in both the home-market and abroad. Companies are consequently cutting production at a rate not seen since the global financial crisis, if the initial pandemic lockdowns are excluded. However, even with the latest production cuts, the downturn in demand has still led to one of the largest increases in unsold stock recorded since survey data were first available 15 years ago, which suggests that companies will continue to reduce production in the coming months to bring these inventories down to more manageable levels.*

*"Likewise, companies are slashing their purchases of inputs and raw materials at a rate not seen outside of the pandemic since the global financial crisis.*

*"This slump in demand is increasingly manifesting itself in a shift from a sellers'- to a buyers'-market for a wide variety of goods, as evidenced by improving supply chains, meaning price pressures are now abating rapidly.*

*"While supply chain worries persist, notably in relation to China's lockdowns, companies' concerns are increasingly moving away from the supply side to focusing on the darkening outlook for demand, meaning the business mood remains among the gloomiest seen over the past decade."*

Ending a sequence of deterioration that began three years ago, vendor performance improved in November. Although shortening only fractionally, lead times improved to the greatest extent since June 2013. That said, faster deliveries were often linked to lower demand for inputs and greater capacity at vendors.

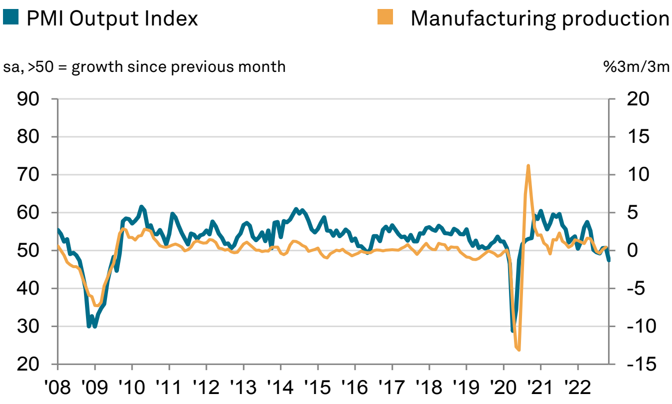
Subsequently, cost pressures softened again midway through the fourth quarter. The rate of input price inflation eased for the sixth successive month to the slowest since November 2020. Reports of lower prices for key inputs such as plastic, lumber and steel alleviated some pressure on cost burdens.

Output charges rose at the second-slowest pace since February 2021 in November. Although firms continued to pass-through higher costs to clients, the pace of inflation was dampened by discounts offered to customers in an effort to drive sales.

Input buying declined at a marked pace during November, as demand for inputs dropped following lower production requirements. The rate of contraction was the quickest since May 2020. At the same time, stocks of purchases fell solidly amid lower purchasing activity. Post-production inventories rose modestly, however, amid lower than expected new orders.

In line with lower sales, manufacturers recorded a strong fall in backlogs of work in November. Although firms continued to fill long-held vacancies, numerous companies noted that voluntary leavers were not replaced in order to reduce cost overheads. Employment rose at the joint-slowest pace since January.

Manufacturers' output expectations for the year ahead were historically muted in November, despite improving from October. Concerns regarding inflation, interest rates and future customer demand dampened positive sentiment.




Sources: S&P Global, US Federal Reserve.

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**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.



**About PMI**

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.



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