

News Release

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S&P Global US Manufacturing PMI™

Output returns to growth, but prices also rise at increased rate

Key findings

Contraction in new orders slows, with output rising marginally

Inflationary pressures strengthen but remain historically muted

Further modest rise in employment as confidence improves

US manufacturers reported a further deterioration in overall operating conditions during September, according to the latest PMI™ survey data from S&P Global, albeit only fractional overall. The slower pace of contraction stemmed from a renewed rise in output following greater hiring activity and expanded capacity, alongside only a slight fall in new orders. Although domestic and external demand remained subdued, conditions declined at a much-reduced pace. Expectations for future output also rose, hitting the highest since April 2022 amid hopes of a pick up in demand conditions.

Meanwhile, input prices and output charges increased at quicker rates. Paces of inflation were historically muted, however, and far below those seen throughout the majority of the last three years.

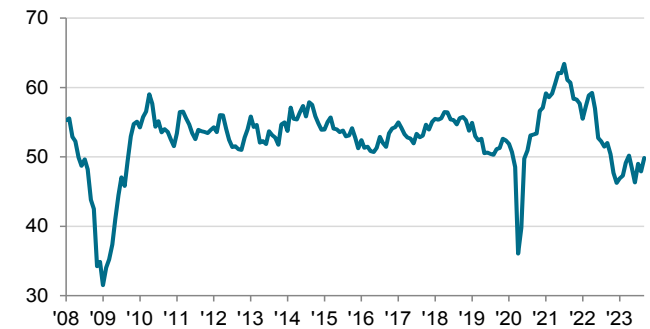
The seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index™ (PMI™) posted 49.8 in September, up from 47.9 in August and higher than the earlier released 'flash' estimate of 48.9. With the exception of the slight expansion seen in April, operating conditions have deteriorated in ten of the last 11 months. Nonetheless, the latest decline in the sector's health was only fractional.

Contributing to the upward movement in the headline figure was a return to output growth in September. Production increased at a marginal pace that was nonetheless the fastest since May. Firms often attributed the upturn to greater workforce numbers as companies sought to broaden capacity. Some manufacturers, however, noted that less downbeat demand conditions had helped to support the expansion in output.

New orders fell for the fifth month running in September, albeit at the slowest pace in this period. Firms continued to highlight strain on customer spending due to high interest rates and inflation. That said, some suggested that there were signs of a pick up in customer interest.

US Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 12-26 September 2023.

Comment

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

"September saw a welcome near-stabilization of business conditions in manufacturing, but a further increase in price pressures is a concern on the inflation front."

"Output reversed some of the loss seen in August as higher employment and improved supply availability helped factories fulfil backlogs of orders."

"Although the pace of production growth remains disappointingly subdued thanks to a further decline in new orders received during the month, notably from weak export markets, there are signs that the situation will improve as we head through to the end of the year."

"Manufacturers' expectations of future output have jumped to their highest for nearly one and a half years, supply conditions continue to improve, and the rate of order book decline has moderated considerably in recent months, in part due to fewer producers and customers reporting deliberate cost-focused inventory reduction policies."

"Less encouraging was the news on the inflation outlook, as producers' costs rose at the fastest rate for five months, largely on the back of higher oil prices. These increased costs are already feeding through to higher prices to customers, which will inevitably result in some renewed upward pressure on inflation."

PMI™

by S&P Global

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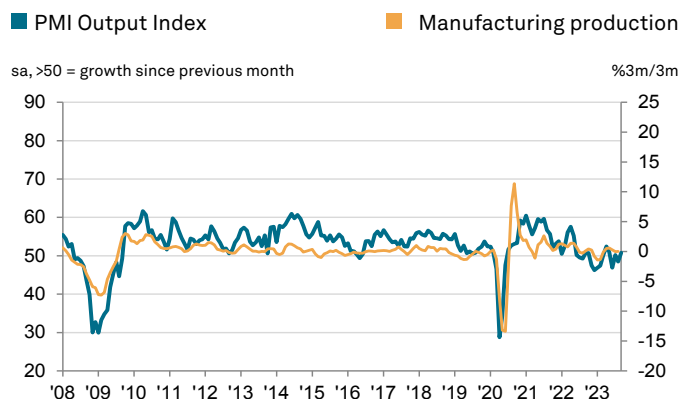
At the same time, new export orders continued to decrease as challenging economic conditions in key export markets dampened demand. The rate of decline was, however, the slowest in the current 16-month sequence of contraction.

Recent increases in oil prices reportedly pushed up costs for oil-derived products and transportation, according to panellists. The rate of cost inflation quickened again to the sharpest since April. In turn, firms sought to pass through greater operating expenses to customers through the fastest rise in selling prices in five months. Nevertheless, rates of inflation were well below their respective series averages and much softer than those seen over the last three years.

Greater hopes of a return to growth of new orders and further increases in output spurred firms into another round of hiring in September. The rate of job creation was modest and broadly in line with the long-run series average. Greater employment allowed firms to clear backlogs, as work-in-hand fell solidly. The pace of decline was the slowest since April, however.

Firms also pinned confidence on investment in marketing and outreach to new customers. The degree of optimism regarding the 12-month outlook for output was notably the highest since April 2022.

Finally, a further decrease in new orders led firms to cut their purchasing activity again despite an improvement in input delivery times. The fall in input buying led to a subsequent drop in pre-production inventories. Efforts to reduce safety stocks and ease cashflow also resulted in a strong contraction in stocks of finished goods.



Sources: S&P Global PMI, US Federal Reserve via S&P Global Market Intelligence.

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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@spglobal.com.

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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. www.spglobal.com/marketintelligence/en/mi/products/pmi