News Release

Embargoed until 0945 EDT (1345 UTC) 3 October 2022

S&P Global US Manufacturing PMI™

Renewed expansions in output and new orders as cost pressures soften

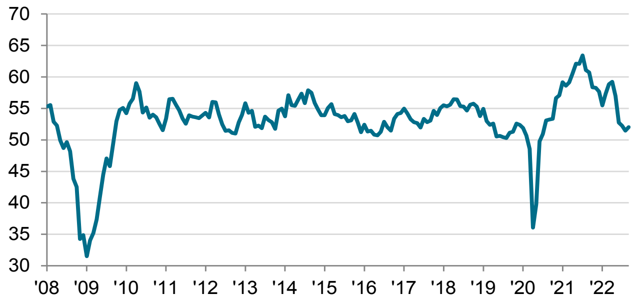
Key findings

Production and new orders rise, albeit only marginally

Input cost inflation eases further as some inputs fall in price

Employment growth fastest since March

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



Source: S&P Global.
Data were collected 07-27 September 2022.

Operating conditions across the US manufacturing sector remained relatively subdued in September, according to latest PMI™ data from S&P Global. Although output and new orders returned to growth during the month, rates of expansion were historically muted. Nonetheless, firms expanded their workforce numbers at the fastest pace since March, although labor shortages continued to hamper firms' ability to work through incoming new orders. Outstanding business rose again and at a quicker rate. Concerns regarding inflation and client purchasing power weighed on expectations, which dipped from August, and input buying.

At the same time, cost pressures softened amid reports of lower prices for some inputs. Although slower than those seen earlier in the year, the rate of selling price inflation picked up slightly as firms continued to pass-through higher cost burdens to customers.

The seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index™ (PMI™) posted 52.0 in September, up from 51.5 in August and broadly in line with the earlier release 'flash' estimate of 51.8. The headline index was above the 50.0 neutral mark, as has been the case for the last 27 months, but continued to signal muted improvements in the health of the manufacturing sector.

The slight uptick in the headline reading was supported by renewed expansions in output and new orders at the end of the third quarter. Greater production was linked to increased client demand. The rate of growth was the quickest since May despite being slower than the series trend and only marginal.

New orders rose for the first time for four months in September, albeit at only a mild pace. Companies noted the acquisition of new customers and an improvement in demand conditions. The rate of expansion was much slower than those seen earlier in the year, however, and well below the series trend amid cost-cutting efforts at clients.

Comment

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

"With US manufacturers reporting a return to growth of order books for the first time in four months, as well as improved job gains, the September survey brings welcome news that business conditions are starting to improve again. However, even with the latest improvement, the weakness of the data in recent months still point to manufacturing acting as a drag on the economy in the third quarter, and demand will need to revive further if any meaningful positive contribution to GDP is going to be seen in the rest of the year.

"The brightest signs of life are coming from the domestic market, with producers of both consumer goods and, most notably, business equipment reporting improved sales to the home market. Manufacturers across the board are, however, reporting further export losses, linked to weaker economic growth abroad and the dollar's strength.

"While the strong dollar is curbing exports, a beneficial effect from the greenback's strength is being seen via lower import costs. With supply chain delays also easing substantially again in September and shipping costs falling, upwards pressure on firms' costs has moderated sharply, which will feed through to lower goods prices to consumers."

PMI™ by S&P Global

At the same time, new export orders fell further as challenging economic conditions and a strong US dollar weighed on foreign customer demand.

On the price front, input costs rose at a slower pace in September. The rate of inflation was still historically elevated amid reports of hikes in energy and material costs, but eased to the softest since January 2021 as inputs such as steel, plastics and lumber reportedly fell in price.

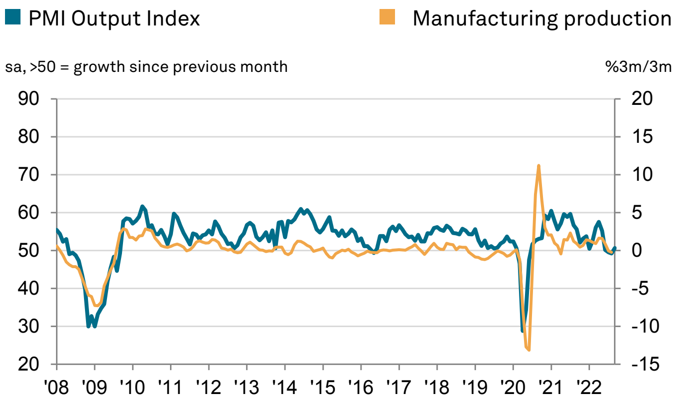
In an effort to drive sales, manufacturers registered a softer increase in selling prices compared to earlier in the year. That said, the pace of charge inflation ticked up from August as firms sought to pass through higher cost burdens to clients.

Supporting the softening of cost pressures was the least marked deterioration in vendor performance for two years at the end of the third quarter. Reports of greater input availability and less severe transportation delays contributed to greater supply chain stability.

Nonetheless, input buying fell at a quicker pace and pre-production inventories were depleted for the first time since February 2021. Stocks of finished items increased marginally as some firms noted lower than expected new order inflows.

Meanwhile, employment rose at the sharpest pace since March in September. Labor shortages were nonetheless evident, leading to another rise in backlogs of work, as firms stated that job creation stemmed from greater production requirements.

Manufacturing firms remained positive on balance regarding the year ahead outlook, but the degree of confidence dipped from August. Concerns surrounding inflation and client purchasing power weighed on sentiment which was below the series trend.



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.

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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. ihsmarkit.com/products/pmi.html.

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