

# News Release

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## S&P Global US Manufacturing PMI<sup>®</sup>

### Factory output growth hits 22-month high in March

#### Key findings

Sharper rises in output and employment

New orders continue to increase, but at softer pace

Output price inflation quickens for fourth month running

Signs of improving wider economic conditions and market demand fed through to a further expansion of US manufacturing production in March, with the rate of expansion hitting a 22-month high. The rate of job creation also quickened, but new order growth softened.

Meanwhile, firms generally signalled a preference to draw down inventories amid sufficient holdings and efforts to improve cash flow. Purchasing activity and stocks of both inputs and finished goods were all scaled back following increases in February. On the inflation front, sharper rises in both input costs and output prices were registered.

The seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index™ (PMI<sup>®</sup>) was above the 50.0 no-change mark for the third successive month in March, thereby signalling a further monthly strengthening in the health of the sector. That said, at 51.9 the index was down from 52.2 in February, pointing to a slightly less pronounced improvement at the end of the opening quarter of the year.

Manufacturers recorded a solid and accelerated rise in production during March, with the rate of growth the sharpest in almost two years. Respondents mentioned signs of improving demand conditions.

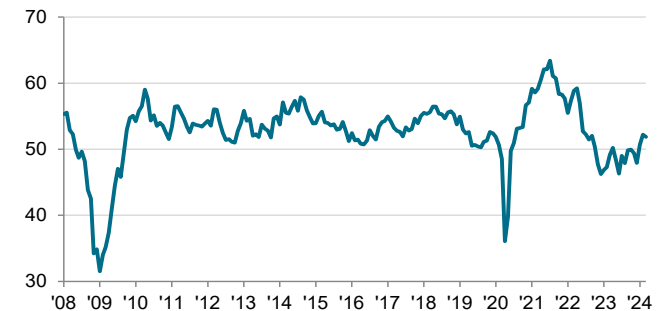
Stronger demand was also evident in data for new orders, which showed an increase for the third month running. The pace of expansion was solid, but softer than that seen in February. Total new orders rose more quickly than new business from abroad, which increased only marginally in March.

Firms remained confident that output will increase over the coming year, thanks to expectations for improving economic conditions, marketing efforts and improving capacity.

This confidence in the outlook, allied with recent increases in new orders, encouraged manufacturers to expand their staffing levels in March. Although modest, the pace of job

US Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 12-25 March 2024.

#### Comment

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

*“The final reading of the S&P Global Manufacturing PMI signaled a further encouraging improvement in business conditions in March, adding to signs that the US economy looks to have expanded at a solid pace again in the first quarter.”*

*“A key development in recent months has been the broadening-out of the upturn from services to manufacturing, with reviving demand for goods driving the fastest increase in factory production since May 2022. Jobs growth has also picked up as firms boost capacity to meet demand. Rising capex spending has likewise buoyed orders for machinery and equipment, in a further sign of firms gaining confidence in the outlook.”*

*“The upturn is, however, being accompanied by some strengthening of pricing power. Average selling prices charged by producers rose at the fastest rate for 11 months in March as factories passed higher costs on to customers, with the rate of inflation running well above the average recorded prior to the pandemic. Most notable was an especially steep rise in prices charged for consumer goods, which rose at a pace not seen for 16 months, underscoring the likely bumpy path in bringing inflation down to the Fed's 2% target.”*

PMI<sup>®</sup>

by S&P Global

creation was the most pronounced since July last year. Improved operating capacity and a slower expansion of new orders meant that firms were able to deplete backlogs of work modestly. Outstanding business has now decreased on a monthly basis throughout the past year-and-a-half.

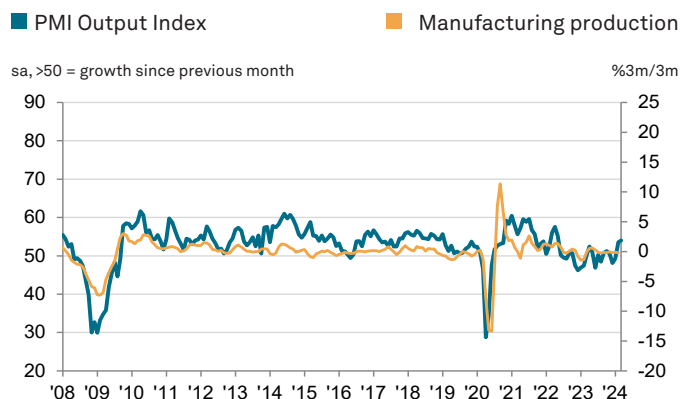
While firms took on extra staff at an accelerated pace, they scaled back their purchasing activity in March following a rise in February. Respondents signalled a preference for using existing stocks to help support production rather than purchasing additional inputs.

A desire to draw down stock holdings was evident, with inventories of both purchased items and finished goods decreasing in March after having increased in the previous survey period. Firms indicated that inventory holdings were sufficient to satisfy current requirements, with efforts to improve cash flow also behind the reductions in stocks.

Input costs increased sharply, with the rate of inflation ticking up from that seen in February. Higher oil and raw material costs, plus increased transportation rates, reportedly added to cost burdens at the end of the first quarter.

Meanwhile, the impact of rising labor costs was mentioned as a factor pushing up selling prices at a number of manufacturers. As a result, the rate of output price inflation quickened for the fourth month running to a sharp pace that was the fastest in just under a year.

Finally, suppliers' delivery times shortened for the fourteenth time in the past 15 months, albeit only marginally. Quicker deliveries reportedly reflected a continued normalization of supply chains and sufficient stock holdings at vendors.



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

## Contact

Chris Williamson  
Chief Business Economist  
S&P Global Market Intelligence  
T: +44-20-7260-2329  
[chris.williamson@spglobal.com](mailto:chris.williamson@spglobal.com)

Siân Jones  
Principal Economist  
S&P Global Market Intelligence  
T: +44-1491-461-017  
[sian.jones@spglobal.com](mailto:sian.jones@spglobal.com)

Katherine Smith  
Corporate Communications  
S&P Global Market Intelligence  
T: +1 (781) 301-9311  
[katherine.smith@spglobal.com](mailto:katherine.smith@spglobal.com)

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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](mailto: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](http://www.spglobal.com/marketintelligence/en/mi/products/pmi)