News Release

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S&P Global US Manufacturing PMI™

Output growth accelerates to fastest in seven months as supply disruption eases

Key findings

Production and new orders rise steeply

Smallest deterioration in vendor performance for 14 months

Cost pressures gain renewed momentum

March PMI™ data from S&P Global signalled a sharp improvement in operating conditions across the US manufacturing sector. Overall growth was supported by faster increases in output and new orders, as domestic and foreign client demand ticked higher. Although backlogs of work rose at a sharper pace - largely due to greater new sales - firms noted that fewer supply bottlenecks allowed production to expand at a faster rate. Moreover, supplier delivery times deteriorated to the smallest extent since January 2021. Nonetheless, costs continued to soar, as the rate of input price inflation quickened to a marked pace.

Encouraged by stronger demand conditions, firms stepped up their hiring activity, with some also noting a greater ability to find suitable candidates. Meanwhile, expectations regarding the outlook for output reached the highest since November 2020.

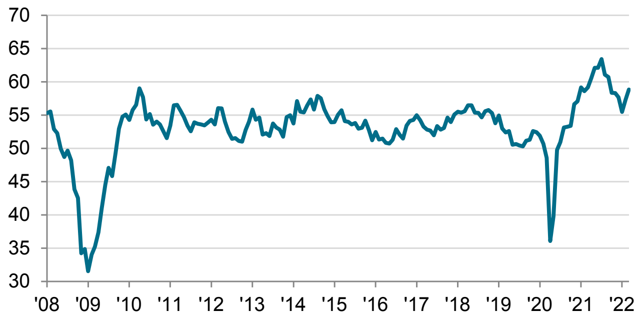
The seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index™ (PMI™) posted 58.8 in March, up from 57.3 in February and slightly higher than the earlier released 'flash' estimate of 58.5. The improvement in the health of the US manufacturing sector was steep overall and the sharpest since last September.

Contributing to the overall upturn was a sharper expansion in production at the end of the first quarter. The pace of growth continued to gain momentum and was the quickest since last August. Crucial to the increase were reports of improved availability of raw materials and inputs as supply chain disruption eased slightly. Companies also noted that higher output was supported by stronger client demand and a rise in new orders.

March data indicated a marked increase in new sales at goods producers, and one that was the sharpest for six months. Some firms linked the rise in new orders to stockpiling at customers amid steep increases in selling prices, whilst others mentioned the placement of larger order volumes.

US Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 11-25 March 2022.

Comment

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

"US manufacturing growth accelerated in March as strong demand and improving prospects countered the headwinds of soaring cost pressures and the Russia-Ukraine war.

"Order book growth has picked up as customers look to the further reopening of the domestic and global economies amid signs that the disruptions from the pandemic continue to fade.

"While companies continued to report widespread production constraints due to supply chain bottlenecks, the incidence of such delays is now lower than at any time since January 2021. Jobs growth has also improved as fewer companies reported labor shortages.

"Similarly, although price pressures remain elevated, with surging energy costs pushing firms' costs higher at an increased rate in March, rates of inflation of both input costs and average selling prices have fallen from the record highs seen late last year to hint that consumer price inflation could likewise soon peak.

"It was especially encouraging to see business optimism about the year ahead improve further in March, despite the new uncertainties, sanctions and geopolitical risks caused by the Ukraine invasion, with optimism among producers now the brightest since late-2020."

PMI™ by S&P Global

Foreign client demand also strengthened, with new export orders rising at the joint-fastest pace for almost a year.

Supporting the expansion in output was the smallest deterioration in vendor performance since January 2021. Lead times still lengthened markedly amid labor and material shortages, but to a lesser extent than that seen through large parts of 2021 as some firms stated that bottlenecks had started to ease.

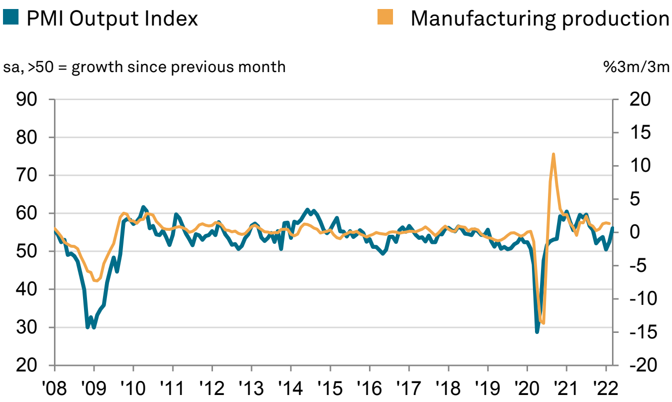
Nonetheless, input prices continued to rise. Although slower than the series-record pace seen last November, the rate of cost inflation remained marked and quickened in March.

Subsequently, selling prices at manufacturing firms increased substantially at the end of the first quarter. The rate of charge inflation was not quite as rapid as that seen in February, however.

Greater demand and less marked supplier delays led firms to step up their input buying in March. The rate of purchasing growth was the sharpest since last September as firms sought to protect against future price hikes. Pre-production inventories rose at the fastest pace for eight months. Stocks of finished goods fell further, however.

At the same time, manufacturing firms expanded their workforce numbers at a solid pace amid increased pressure on capacity. Some companies stated that investment in recruitment campaigns were successful. Nevertheless, backlogs of work rose sharply and at the fastest pace for three months.

Finally, output expectations regarding the year ahead strengthened in March. Confidence was the most upbeat since November 2020, and stemmed from hopes of further improvements in supply chains.



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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