News Release

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S&P Global US Manufacturing PMI™

Manufacturing upturn slows amid cooling demand, surging costs and material shortages

Key findings

Production and new orders increase at slower rates

Cost inflation fastest since November 2021's series peak

Business confidence drops to lowest since October 2020

The US manufacturing sector signalled a further improvement in operating conditions during May, according to PMI™ data from S&P Global, but the rate of growth eased to the softest since January as expansions in output, new orders and stocks of purchases waned. That said, overall demand conditions remained robust, with firms stepping up their hiring activity amid a sharp uptick in backlogs of work. Business confidence, however, slipped to the lowest since October 2020.

Meanwhile, supply constraints and inflationary pressures remained key themes, hampering output growth and stockpiling efforts. The rate of cost inflation accelerated to the fastest in six months, with firms passing on higher expenses to customers through a near-record rise in output charges.

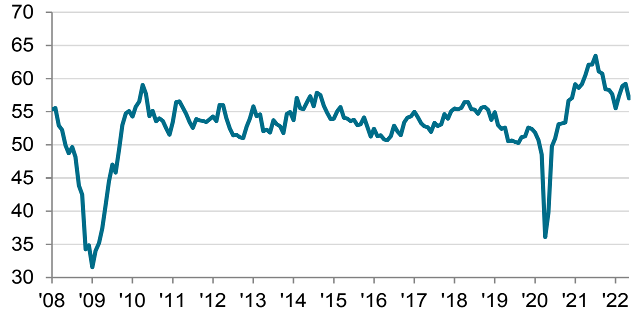
The seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index™ (PMI™) posted 57.0 in May, down from 59.2 in April and below the earlier released 'flash' estimate of 57.5. The latest reading was the lowest for four months.

Output growth at manufacturers was strong overall, as greater client demand and a further uptick in new orders supported the upturn in production. The rate of expansion was the slowest for three months, however, as material shortages, delivery delays and a softer rise in order book inflows began to stymie growth momentum.

New orders rose sharply in May, with higher new sales inflows often attributed to a sustained rise in customer demand and the acquisition of new clients. That said, the pace of growth softened further from March's recent peak and was the slowest seen since January. Foreign client demand also softened, with export orders rising at the slowest rate for four months. Global uncertainty due to the war in Ukraine and challenging logistics reportedly weighed on the upturn.

US Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 12-26 May 2022.

Comment

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

"A solid expansion of manufacturing output in May should help drive an increase in GDP during the second quarter, with production growth running well above the average seen over the past decade. However, the rate of growth has slowed as producers report ongoing issues with supply chain delays and labor shortages, as well as slower demand growth.

"A cooling in new orders growth was in part linked to customers pushing back on high prices, though also reflected shortages and growing concern about the outlook.

"Input cost pressures meanwhile intensified further during the month. Although delivery delays were the least widespread for 16 months, pricing power remained firmly in the hands of the supplier, with rising energy, wage and transportation costs adding to firms' cost burdens. The result was the steepest rise in costs since November, feeding through to yet another near-record factory gate price increase and serving as a reminder that inflationary pressures remain worryingly elevated."

PMI™

by S&P Global

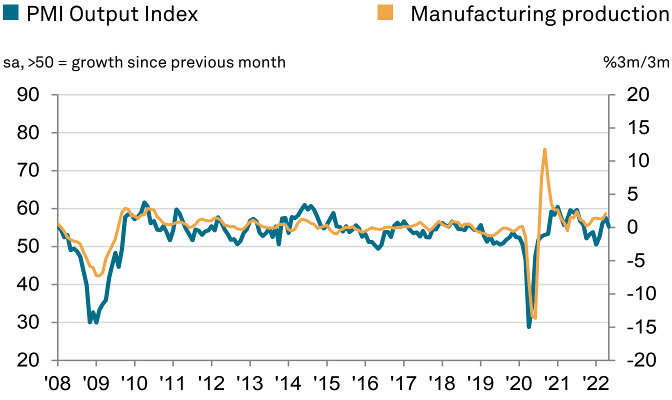
On the price front, cost burdens rose at a near-record pace amid soaring input prices. Higher operating expenses were commonly linked to hikes in metals, energy, fuel and transportation costs, with some firms mentioning that the war in Ukraine and COVID-19 lockdowns in mainland China had exacerbated surging prices. The pace of cost inflation accelerated to the fastest since November 2021's record rate.

In response, manufacturers raised their selling prices again in May. In contrast to a faster increase in cost burdens, however, output charges increased at a softer pace than in April. Nonetheless, it was the third-sharpest in 15 years of data collection.

Concerns regarding the impact of inflation on customer spending dampened output expectations in May. Goods producers remained upbeat towards the year-ahead outlook, but the degree of optimism slipped to its lowest since October 2020.

Greater new order inflows spurred another round of hiring, as manufacturing firms expanded workforce numbers at a faster pace in May. The solid increase was also attributed to the filling of long-held vacancies. Higher employment helped relieve pressure on capacity, as backlogs of work rose at the slowest pace in 15 months. Where an increase was noted, firms generally linked this to material shortages.

Finally, suppliers' delivery times continued to hamper production efforts. Although lead times lengthened to a greater extent than seen anytime prior to the pandemic, the latest incidence of delays was the least severe for 16 months. Alongside soaring input prices, this resulted in softer purchasing growth as efforts to stockpile were stymied and many opted to work through inventories instead.



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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