

S&P Global US Manufacturing PMI[®]

Production declines in March as order book growth slows on tariff uncertainty

Drop in factory output follows strong growth in February

Hiring stalls as orders rise only modestly

Cost inflation spikes to highest since August 2022

US manufacturing sector growth stalled in March. Having grown strongly in February, production declined as order books expanded only modestly despite evidence of a stabilization of exports.

Confidence in the outlook for business activity softened, amid some uncertainty over the impact of federal government policies.

Employment numbers were unchanged after four months of job gains. Softer trends in output and new orders, plus uncertainty in the outlook, weighed on hiring decisions. Cost pressures intensified, largely due to the impact of tariffs, with input price inflation rising to its highest level in over two-and-a-half years.

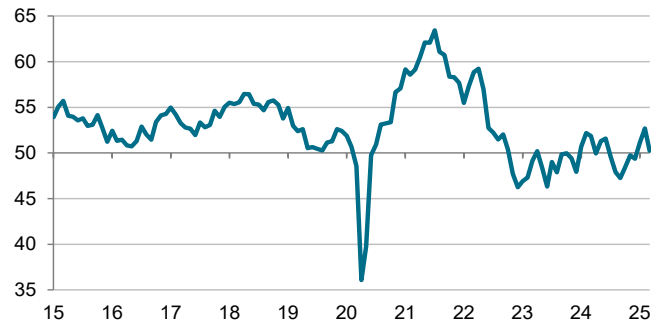
The seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index™ (PMI[®]) remained above the crucial 50.0 no-change mark for a third successive month in March, but only just. Recording 50.2, down from 52.7, the PMI signaled a marginal improvement in operating conditions that was the weakest of the year so far.

A drop in production for the first time since December weighed heavily on the headline index. The modest fall in output was in stark contrast to the fastest rise in production for nearly three years seen during February and partly reflected fewer instances of output being raised to front-run tariffs.

Market uncertainty was also frequently reported, linked to concerns over tariff implementation and federal government policies. This served to weigh on new order book growth, which was modest overall in March and the lowest of the year so far. Where orders rose, panelists noted success in capitalizing on some positive underlying demand via trade shows and the release of new products. Latest data also hinted at efforts to fulfil orders ahead of any tariff implementation as new export orders stabilized following nine months of contraction. Orders were reported to have increased from clients based in Asia, Canada and Europe during March.

Confidence in the outlook softened again in February, dropping for a second successive month to its lowest level since December. This was linked to uncertainty over the impact of federal government policies on activity in the year

S&P Global US Manufacturing PMI
Index, sa, >50 = improvement m/m



Data were collected 12-26 March 2025.
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Comment

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

“The strong start to the year for US manufacturers has faltered in March. A combination of improved optimism surrounding the new administration and the need to front-run tariffs had buoyed the goods-producing sector in the first two months of the year, but cracks are now starting to appear. Production fell for the first time in three months in March, and order books are becoming increasingly depleted.

“While business confidence about the outlook remains relatively elevated by standards seen over the past three years, this is based on companies hoping that the near-term disruption caused by tariffs and other policies will be superseded as longer-term benefits from the policies of the new administration accrue. However, March has seen more producers question this belief. Business optimism about the year ahead has deteriorated further from January’s near three-year high, and has dropped sharply over the past two months, causing firms to stop raising payroll counts for the first time since October.

“A key concern among manufacturers is the degree to which heightened uncertainty resulting from government policy changes, notably in relation to tariffs, causes customers to cancel or delay spending, and the extent to which costs are rising and supply chains deteriorating in this environment. Tariffs were the most cited cause of factory input costs rising in March, and at a rate not seen since mid-2022 during the pandemic-related supply shock. Supply chains are also suffering to a degree not seen since October 2022 as delivery delays become more widespread.

“Data in the coming months will provide important insights into how the inflationary aspects of policies such as tariffs balance out against any benefits to US producers.”

ahead, although some firms expect in time to see benefits from tariffs through an increase in domestic demand and improved market share.

Employment was unchanged in March, following a four-month run of growth. Sluggish demand growth and elevated costs weighed on hiring activity, according to anecdotal evidence. Capacity nonetheless remained sufficiently high to comfortably deal with overall workloads. Levels of work outstanding declined in March at the fastest rate since December, to thereby extend the current period of contraction to two-and-a-half years.

Against a backdrop of falling output and slower order book growth, manufacturers signaled a modest cut in purchasing activity. Instead, firms preferred to utilize existing inputs in production wherever possible, recording a drop in stocks of inputs following marginal growth in February.

Despite weaker demand, average lead times for the delivery of stocks nonetheless continued to lengthen, extending the current downturn to six months. Insufficient stocks at vendors were noted, although some firms reported delays at customs as a factor behind the slower delivery of ordered inputs.

Vendors were generally seen as raising their prices during March. This was in part related to tariffs, with metals like steel reported to have increased in cost. Overall, input price inflation spiked higher in March, hitting its highest level since August 2022.

The steep increase in input prices fed through to a greater rise in manufacturing selling prices during March. Latest data showed that output price inflation picked up for a fourth successive month to a 25-month high.

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 600 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in May 2007.

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.

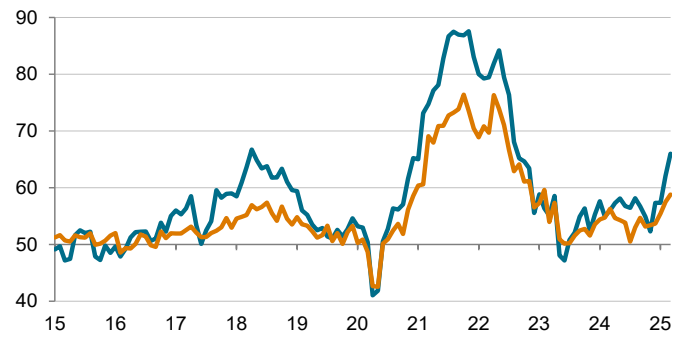
Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

PMI by S&P Global

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

■ PMI Input Prices ■ PMI Output Prices
Index, sa, >50 = inflation m/m



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