

News Release

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S&P Global US Manufacturing PMI[®]

Manufacturing conditions improve at fastest pace since July 2022

Key findings

Renewed rise in output as supply conditions improve

New order growth sharpest since May 2022

Selling price inflation quickens despite slower rise in input costs

February data signalled a quicker pace of improvement in the health of the US manufacturing sector, according to the latest PMI[®] survey compiled by S&P Global. The overall rate of growth was the fastest since July 2022, with the upturn supported by a renewed increase in production and a quicker rise in new orders. Domestic and foreign client demand strengthened, driving total sales higher and at the sharpest pace since May 2022. Greater new order inflows sparked a steeper pace of job creation and an uptick in input buying, as stock building became a renewed goal.

The greater availability of raw materials and solid improvement in supplier performance eased pressure on cost burdens, meaning input prices rose at a slower pace. Nevertheless, selling prices increased at the steepest pace since April 2023.

The seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index™ (PMI) posted 52.2 in February, up from 50.7 in January and higher than the earlier released 'flash' estimate of 51.5. The latest upturn indicated a modest improvement in operating conditions that was the strongest since July 2022.

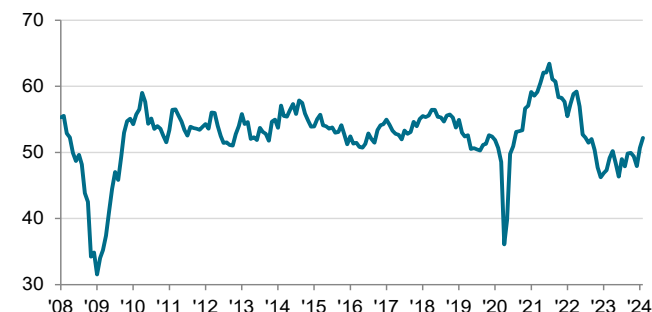
Contributing to the upturn was a renewed rise in output during February. Production levels increased at the fastest pace since May 2022, as previous supply chain delays which hampered activity in January eased and demand conditions strengthened again. The rate of growth was solid and quicker than the trend pace.

Panellists highlighted more favourable demand conditions in February, as total new orders grew at a strong pace that was the fastest for 21 months. Alongside greater interest from customers, manufacturers noted that some clients had worked through safety stocks and were looking to replenish inventories.

Meanwhile, new export orders expanded for the first time in three months. Foreign client demand improved, especially in

US Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 12-26 February 2024.

Comment

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

“Manufacturing is showing encouraging signs of pulling out of the malaise that has dogged the goods-producing sector over much of the past two years. After a long spell of reducing inventories in order to cut costs, factories are now increasingly rebuilding warehouse stock levels, driving up demand for inputs and pushing production higher at a pace not seen since early 2022. There are also signs of stronger demand for consumer goods, linked in part to signs of the cost of living crisis easing.”

“Firms are consequently investing in more staff and more equipment, laying the foundations of further production gains in the coming months to hopefully drive a stronger and more sustainable recovery of the manufacturing economy.”

“Problems with shipping disruptions and supply chains earlier in the year have eased, taking some pressure off input prices, though factory gate prices are recovering amid stronger customer demand, which will be an area to watch closely in the coming months as policymakers assess the appropriateness and timing of any interest rate cuts.”

PMI[®]

by S&P Global

Europe and Canada, with external sales rising at the sharpest rate since May 2022, albeit only marginally.

At the same time, selling prices increased at the quickest pace in ten months midway through the first quarter. The rate of charge inflation accelerated for the third successive month as firms sought to pass through higher costs to customers.

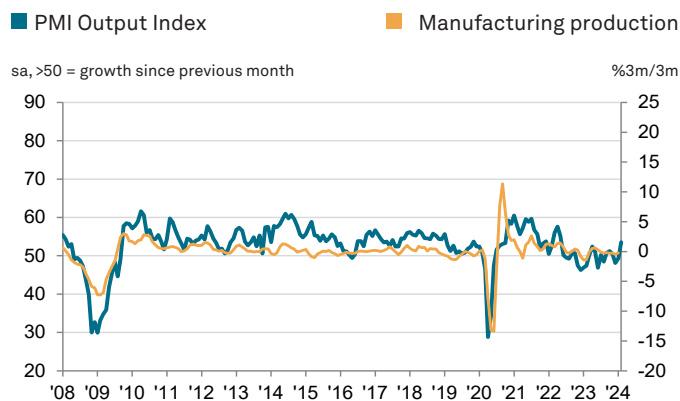
That said, the rate of input price inflation eased on the month in February. Although higher cost burdens were linked to greater freight, transportation and raw material prices, the pace of increase eased to the slowest since last November.

Some inputs reportedly fell in price as supply chains improved and the availability of raw materials increased. Goods producers signalled a renewed improvement in vendor performance, with lead times shortening to the greatest extent since last July.

In line with stronger demand conditions, firms recorded the first rise in input buying since July 2022 in February. Companies reportedly sought to rebuild stocks, as both pre- and post-production inventories returned to growth.

Increased new order inflows also spurred a sharper uptick in workforce numbers. Manufacturers registered the quickest rate of job creation since last September, with many noting the hiring of full-time and permanent staff. Moreover, goods producers remained upbeat regarding the outlook for output over the coming 12 months despite the degree of confidence slipping slightly from January's 21-month high.

Backlogs of work were broadly unchanged in February. Although capacity was expanded, greater new orders placed strain on some firms.



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

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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.

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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