

News Release

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S&P Global US Manufacturing PMI[®]

US manufacturing conditions stabilise amid renewed rise in new orders

Key findings

Output expansion quickens as sales return to growth

First fall in employment since July 2020

Inflationary pressures strengthen

Operating conditions faced by US manufacturing firms stabilised during October, thereby ending a five-month sequence of decline, according to the latest PMI[®] survey data from S&P Global. A back-to-back expansion in output and a renewed rise in new orders supported the move away from declining sectoral health. That said, demand conditions were historically muted overall, with firms downwardly adjusting their output expectations for the year ahead and cutting employment for the first time since July 2020. The drop in staffing numbers also reflected dwindling backlogs of work and excess capacity.

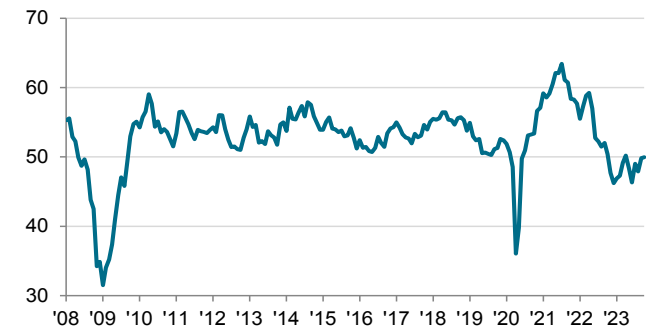
Despite a further contraction in input buying and reductions in inventory holdings, inflationary pressures picked up. Input costs and output charges rose at the fastest rates since April, but increases remained much less marked than seen on average over the last two years.

The seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index[™] (PMI) posted at the neutral level of 50.0 in October, in line with the earlier released 'flash' estimate and up slightly from 49.8 in September. The latest headline figure was the highest since April and indicated a stabilisation in the health of the manufacturing sector.

Contributing to the uptick in the headline index was a renewed rise in new sales at goods producers during October. New orders increased for the first time in six months, and at the fastest pace since September 2022. Although firms noted an improvement in demand conditions, the rate of growth was only marginal overall as some companies continued to note a subdued sales environment.

Total new order growth was led by domestic demand, as new international sales fell further and at a slightly sharper pace than in September. Dollar strength reportedly hampered global competitiveness and foreign sales, alongside difficult economic conditions in key export markets.

US Manufacturing PMI
sa, >50 = growth since previous month



Source: S&P Global PMI.
Data were collected 12-26 October 2023.

Comment

Siân Jones, Principal Economist at S&P Global Market Intelligence, said:

"October PMI data signalled a stabilisation of US manufacturing conditions amid a renewed rise in new order inflows and firmer output growth. Demand conditions reportedly showed signs of improvement as customer interest revived, but this was once again largely focused on the domestic market as new export orders fell at a quicker rate.

"Of concern were reports of dwindling backlogs of work, previously used to help support production, as firms also revised down their expectations for future output to the lowest in 2023 so far. At the same time, manufacturers cut employment for the first time in over three years as workloads were reportedly insufficient to warrant additional hiring or the replacement of voluntary leavers.

"On the price front, manufacturers saw sharper increases in costs and output charges, as inflation regained some momentum in the sector. Higher oil and oil-derived input prices again spurred hikes, as rates of inflation accelerated for the third month running."

PMI[®]

by S&P Global

Greater amounts of overall new work spurred a faster upturn in production in October. The pace of growth quickened slightly to the second-fastest since May 2022, but was slower than the long-run series average.

Backlogs of work contracted for the thirteenth month running at the start of the fourth quarter. Although the pace of decline slowed to the weakest in this sequence, the moderation in the speed of decrease was reportedly indicative of dwindling volumes of backlogs.

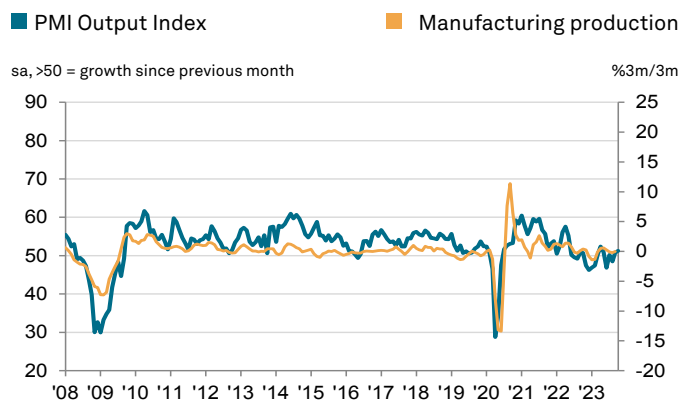
Evidence of spare capacity was also seen in a renewed drop in employment in October. Workforce numbers fell for the first time in 39 months, and at the fastest pace since June 2020, as firms chose not to replace voluntary leavers.

Meanwhile, input costs rose at the fastest pace since April. Manufacturers often noted that greater oil and oil-derived material prices had pushed up operating expenses. The rate of cost inflation was slower than the historic average, however.

Efforts to remain competitive and drive sales reportedly constrained pricing power. Although output charges rose at the quickest pace in six months, the rate of increase was much slower than the peaks seen in the last two years.

Manufacturers continue to anticipate a rise in output over the coming year, but the degree of confidence in the outlook dipped to the lowest in 2023 so far. Waning backlogs and relatively subdued demand conditions reportedly weighed on optimism.

Finally, goods producers ran down their stocks of finished items and purchases again in October. A slower fall in post-production inventories was in part linked to weaker than anticipated order growth and continued processing of backlogs. Firms also reduced their input buying further.



Contact

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

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

Katherine Smith
Corporate Communications
S&P Global Market Intelligence
T: +1 (781) 301-9311
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.

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