

S&P Global US Manufacturing PMI[®]

Manufacturing production continues to fall, but at slowest pace in three months

Weaker reductions in output and new orders

Inflationary pressures soften

Recent hurricanes cause supply chain delays

Although the US manufacturing sector remained in contraction territory at the start of the final quarter, there were some signs of the downturn easing.

Uncertainty ahead of the Presidential Election was cited as a key reason for new orders continuing to fall, but the pace of decline eased and production was scaled back to the smallest degree in three months. Manufacturers continued to reduce employment and purchasing activity, however.

Inflationary pressures softened, with input costs increasing at the slowest pace in almost a year and output price inflation also easing. Meanwhile, suppliers' delivery times lengthened for the first time in three months amid delays widely linked to hurricane-related disruption.

The seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index™ (PMI[®]) posted 48.5 in October, up from 47.3 in September but below the 50.0 no-change mark for a fourth consecutive month. The latest reading indicated that business conditions deteriorated modestly, albeit to the least extent since July.

New orders decreased for the fourth month running in October, and at a solid pace. Respondents indicated that uncertainty around the Presidential Election had been a common cause of a drop in new orders as customers hesitated before committing to new projects.

New export orders were also down, albeit only slightly and to a much lesser degree than total new business. Demand weakness was especially evident in Europe.

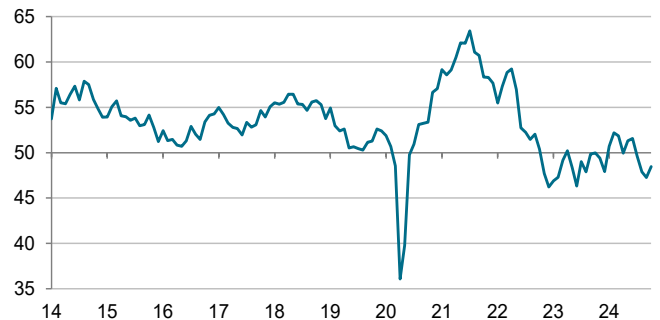
Falling sales led manufacturers to reduce output for the third consecutive month, but the rate of contraction was the weakest in this sequence and only slight.

There was increasing confidence that output will expand over the coming year, with sentiment rising for the second month running to the highest since May. In a number of cases, optimism reflected expectations that business would revive following the Presidential Election. Higher sales and falling interest rates also supported confidence.

While business sentiment strengthened, current muted demand conditions meant that firms continued to lower their staffing levels and purchasing activity at the start of the final quarter of the year.

Employment was down for the third month in a row, albeit only

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



Data compiled 10-28 October 2024.

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Comment

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

“The US manufacturing downturn extended into its fourth successive month in October, marking a disappointing start to the fourth quarter for the goods-producing sector. Although the rate of decline moderated, order books continued to deteriorate at a worryingly steep pace, and a further build-up of unsold stock hints at further production cuts at factories in the coming months unless demand revives.

“The survey does, however, provide some encouragement that the current soft patch could prove short-lived. Hurricanes have been blamed for supply disruptions, which should therefore ease in November, and manufacturers are feeling more positive about the outlook than at any time since May, hoping that demand will pick up once the uncertainty generated by the Presidential Election clears.

“It’s notable that orders for investment goods such as plant and machinery have fallen especially sharply in recent months. Headcounts have also been cut for a third straight month, underscoring the reluctance among firms to expand in the face of heightened geopolitical uncertainty, with firms citing tensions around the US election as well as intensifying international conflicts. There is therefore some potential upside to the manufacturing sector if the political environment becomes more conducive to spending and investment after the election.”

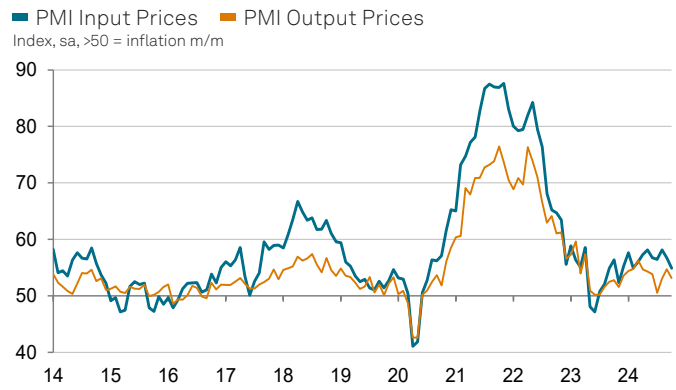
modestly. Meanwhile, the rate of contraction in purchasing activity accelerated to a marked pace that was the steepest since June 2023. The latest fall in purchasing was linked to lower new orders and efforts to cut inventories accordingly. Indeed, stocks of inputs were reduced to the largest extent in 14 months.

Firms purchasing inputs during the month were faced with lengthening supplier lead times for the first time in three months. Delivery delays in part reflected the impact of recent hurricanes, but also capacity issues at suppliers and issues with freight.

Some firms also reported delays in shipping finished products to clients, contributing to a further build-up in post-production inventories. Manufacturers continued to deplete outstanding business, however, given ongoing reductions in new orders.

The rate of input cost inflation slowed for the second month running and was the weakest since last November. Where input prices increased, panellists reported higher costs for raw materials such as cardboard, metals and packaging. Rising prices for freight were also mentioned.

Similarly, output prices increased at a slower pace in October, after inflation had hit a five-month high in the previous month.



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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

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