

S&P Global US Manufacturing PMI[®]

US manufacturing sector returns to growth and business confidence surges

Renewed increases in output and new orders

Business sentiment up sharply

Sustained job creation

The start of the new year saw a renewed expansion in the US manufacturing sector amid a surge in confidence.

Both output and new orders returned to growth in January, while optimism in the year-ahead outlook for production hit a 34-month high. At least part of the jump in confidence and more buoyant demand picture reflected a sense among firms that business conditions will improve under President Trump.

Meanwhile, input costs continued to increase sharply, leading the pace of output price inflation to accelerate for the third month running to reach the highest since March 2024.

The seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index™ (PMI[®]) moved back above the 50.0 no-change mark for the first time in seven months during January. At 51.2, the PMI was up from 49.4 in December, and pointed to a modest improvement in the health of the sector at the start of the year.

The renewed strengthening of business conditions in large part reflected returns to growth of both new orders and output.

New business increased for the first time since June last year amid improving customer demand and greater confidence in the economy. New export orders nonetheless continued to fall in January, albeit marginally.

Production volumes rose for the first time in six months. Although the pace of expansion was modest, the increase represented a marked turnaround from the end of 2024 when output had fallen at a solid pace.

The aforementioned rise in new orders had been a factor leading to growth of output, while a number of respondents linked the expansion in production schedules to the start of the Trump presidency.

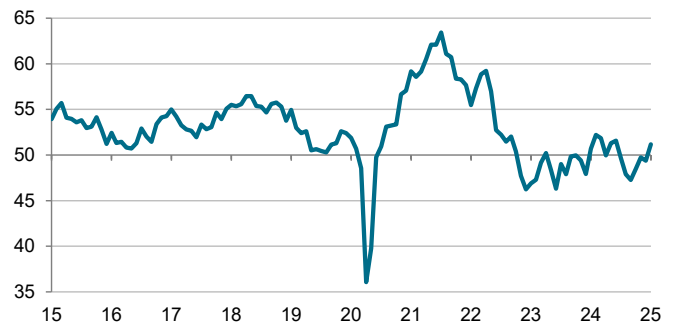
As well as supporting demand in January, the incoming administration also provided a boost to business confidence.

Manufacturing sector optimism jumped sharply from the end of 2024, showing the largest monthly improvement in sentiment since November 2020. Confidence hit a 34-month high as more than half of respondents predicted a rise in manufacturing production over the coming year.

A combination of higher new orders and improving business

S&P Global US Manufacturing PMI

Index, sa, >50 = improvement m/m



Data compiled 09-28 January 2025.

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Comment

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

“A new year and a new President has brought new optimism in the US manufacturing sector. Business confidence about prospects for the year ahead has leaped to the highest for nearly three years after one of the largest monthly gains yet recorded by the survey. Over the past decade, only two months during the reopening of the economy from pandemic lockdowns have seen business sentiment improve as markedly as recorded in January.

“Manufacturers report that political uncertainty has cleared and the pro-business approach from the new administration has brightened their prospects. Production has already improved after falling throughout much of the last half of 2024, amid rising domestic sales. Factories have also stepped up their hiring to meet planned growth of production capacity.

“However, a rise in the rate of increase of both input costs and selling prices could become a concern if this intensification of inflationary pressures is sustained in the coming months, especially as the combination of higher price pressures alongside accelerating economic growth and rising employment is not typically conducive to cutting interest rates.”

confidence meant that manufacturers increased their staffing levels for the third month running. Moreover, the pace of job creation was the highest since June 2024.

Backlogs of work continued to fall as a recent period of subdued demand meant that spare capacity remained in the sector. That said, the pace of depletion slowed sharply and was the weakest in seven months, reflecting the renewed expansion of new orders.

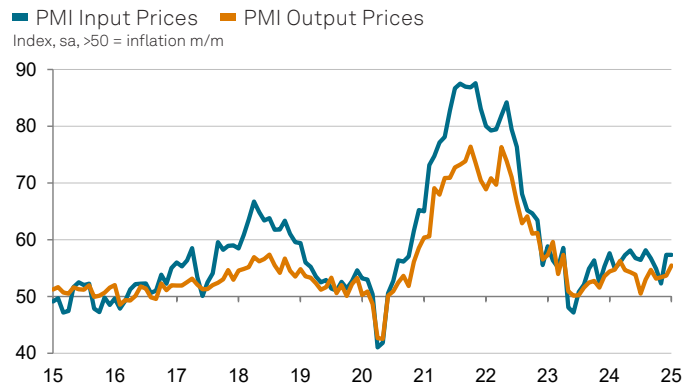
Although firms continued to scale back their purchasing activity in January, the pace of reduction was the weakest in the current eight-month sequence of decline and only marginal.

Some firms indicated that their current holdings of inputs were sufficient to deal with orders, and showed a desire to draw down on stocks during the month. In fact, inventories of purchases fell markedly, and to the largest extent since August 2023. Stocks of finished goods were also down in January.

Suppliers' delivery times lengthened for the fourth consecutive month, reflecting staff shortages at vendors and extreme weather conditions - both the wildfires in California and unusually freezing conditions elsewhere in the country.

Firms were also faced with a further sharp increase in the cost of inputs, with the pace of inflation unchanged from December.

Manufacturers therefore raised their own selling prices at a marked pace. The rate of factory gate price inflation quickened for the third month running to the fastest since March 2024.



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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

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

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