News Release

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IHS Markit US Manufacturing PMI™

Output growth picks up amid stronger demand and easing supply disruption

Key findings

Sharper new sales growth supports upturn in output

Deterioration in supplier performance the least marked since May 2021

Cost pressures soften but output charges rise at faster pace

Data were collected 10-22 February 2022.

The US manufacturing sector registered a stronger improvement in operating conditions midway through the opening quarter of 2022, according to February PMI™ data from IHS Markit. Although only modest overall, output rose at a faster pace amid signs of easing supply chain disruption and the sharpest expansion in new orders since last October. Stronger new sales growth spurred manufacturers to increase staffing numbers and boost stocks of purchases. Pressure on capacity softened as backlogs rose at the slowest pace in a year as material shortages eased.

Although input costs increased at the slowest pace for nine months, selling prices ticked higher at the sharpest rate since last November.

The seasonally adjusted IHS Markit US Manufacturing Purchasing Managers' Index™ (PMI™) posted 57.3 in February, up from 55.5 in January and only slightly lower than the earlier released 'flash' estimate of 57.5. The headline figure was below the peaks seen in 2021, but signalled a stronger upturn in the health of the manufacturing sector, with sharper output and new order expansions contributing to overall growth.

February data indicated a modest upturn in production across the manufacturing sector. The expansion was much softer in comparison with the marked rates of growth seen throughout 2021 due to ongoing material and labor shortages, but where a rise was noted this was reportedly driven by a steeper increase in new sales and efforts to clear backlogs.

Manufacturers recorded a sharper uptick in new orders midway through the first quarter, supported by stronger demand from new and existing customers. The rate of growth quickened from January's 16-month low and was the quickest since last October. At the same time, foreign client demand also strengthened, as new export orders rose at the fastest pace for five months.

There was some reprieve for goods producers amid reports of softer deteriorations in supplier performance in February. Delivery delays were the least severe since last May. Firms often noted that

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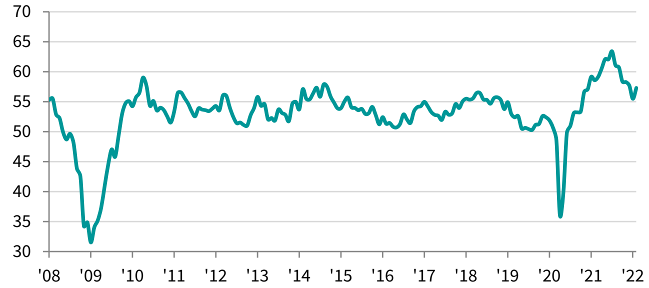
US Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Chris Williamson, Chief Business Economist at IHS Markit said:

"The US manufacturing sector rebounded in February after the Omicron wave brought production close to a standstill in January. However, output remains heavily constrained both by ongoing raw material supply bottlenecks and labor shortages, albeit with some signs that the supply chain crisis has continued to ease. The decline in virus case numbers should also help alleviate labor shortages as we head into the spring.

"Demand is clearly continuing to run well ahead of supply, meaning it is a sellers' market for a wide variety of goods. Although the survey's price gauges covering companies' costs and selling prices are off the peaks seen last year, they remain very high by historical standards and point to persistent elevated inflation in coming months. With rising oil prices adding further to soaring costs, and the Ukraine crisis likely to add to global supply disruptions, the inflation outlook is an increasing concern.

"With the survey data collected prior to the escalation of the conflict in Ukraine, the full impact of the situation is yet to appear in the data. Supply chains are likely to be further disrupted, with existing shortages exacerbated by safety stock building, and prices will likely come under further upward pressure. Perhaps most important will be the effect on business optimism and whether the improvement in prospects seen in February will be reversed, which could lead to reduced spending and investment."

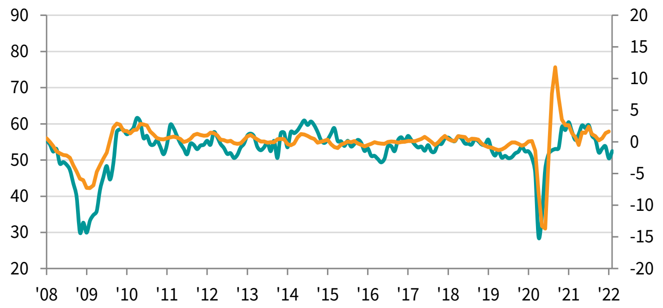
although material shortages eased, transportation and logistics delays extended lead times.

Less severe supply disruption was reflected in a slower increase in input prices. The rate of cost inflation eased to the softest for nine months, but remained historically elevated amid higher material and transportation fees.

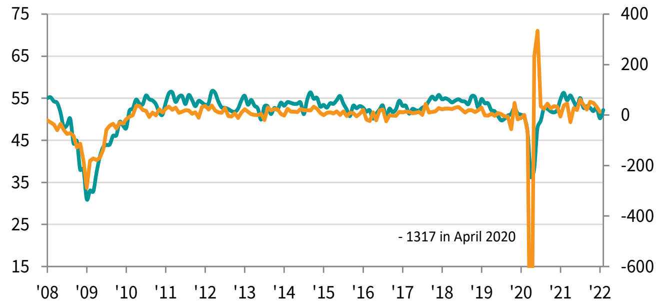
Despite a softer rise in input costs, firms were able to increase their selling prices at a sharper pace in February amid more accommodative demand conditions. Companies widely attributed the rise in output charges to the pass-through of greater costs to clients. The rate of charge inflation accelerated to a three-month high and was marked.

In line with stronger demand conditions, firms stepped up their purchasing activity. Input buying expanded at a steeper pace as firms sought to build safety stocks. Efforts to protect against future shortages and price hikes led to the fastest rise in pre-production inventories since last July. That said, stocks of finished goods were depleted at a quicker rate as manufacturers struggled to replenish inventories.

Increased new order inflows spurred greater optimism among manufacturing firms in February. Output expectations for the coming year were the strongest since November 2020, as firms were buoyed by hopes of a reduction in supply-chain disruption and a greater ability to retain employees.



Sources: IHS Markit, US Federal Reserve.



Sources: IHS Markit, Bureau of Labor Statistics.

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Survey methodology

The IHS Markit US Manufacturing PMI™ is compiled by IHS Markit 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.

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@ihsmarkit.com.

Survey dates and history

February 2022 data were collected 10-22 February 2022.

Data collection began in April 2004 from a survey panel of electronics manufacturers. In May 2007, the panel was expanded to cover manufacturers of metal products. In October 2009, the panel was expanded further to cover all manufacturing activity. Data from May 2007 to September 2009 are compiled from responses from manufacturers of electronics and metal products, while data from October 2009 are compiled from responses from all areas of manufacturing.

Flash vs. final data

Since October 2009 the average difference between final and flash Manufacturing PMI values is 0.0 (0.3 in absolute terms).

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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.

ihsmarkit.com/products/pmi.html.