News Release

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S&P Global US Manufacturing PMI®

New orders down for first time in four months

Key findings

Softer rise in output amid lower new business

Job creation sustained

Selling price inflation at three-month low

The US manufacturing sector suffered a setback in April as new orders decreased for the first time in 2024 so far. Work on outstanding business helped to keep production in growth territory, however, while firms continued to take on extra staff, in part due to positive expectations for the coming months.

Manufacturers scaled back their purchasing activity in response to lower new orders, with pre-production inventories also down. Meanwhile, output prices increased at a slower pace but the rate of input cost inflation quickened to hint at sustained near-term upward pressure on selling prices.

The seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index™ (PMI®) posted in line with the 50.0 no-change mark in April to point to stable business conditions at the start of the second quarter. The reading was down from 51.9 in March and signaled an end to a three-month sequence of improving operating conditions.

Manufacturing new orders decreased for the first time in four months during April, albeit modestly. Respondents signaled caution among clients and a reluctance to commit to new business amid subdued market conditions. The reduction in total new business was recorded in spite of sustained growth in new export orders. New business from abroad increased for the third month running, but only slightly.

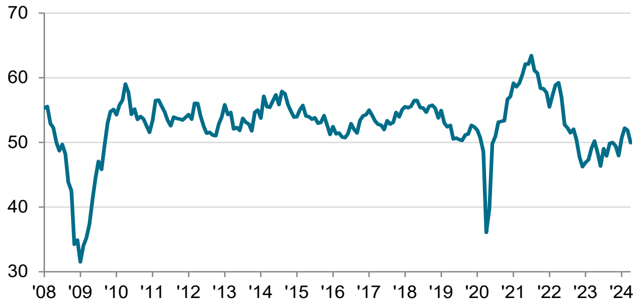
Manufacturing production increased for the third consecutive month, albeit at the slowest pace in this sequence. With new orders down, output was often supported by work on previously received orders.

Work on backlogged orders led to a further depletion of outstanding business, with the latest solid decline the most pronounced since January.

The latest expansion in manufacturing production was supported by a fourth successive month of job creation, with

US Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.
Data were collected 11-25 April 2024.

Comment

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

"Business conditions stagnated in April, failing to improve for the first time in four months and pointing to a weak start to the second quarter for manufacturers. Order inflows into factories fell for the first time since December, meaning producers had to rely on orders placed in prior months to keep busy.

"However, there are some encouraging signs. The drop in orders appears to have been largely driven by reduced demand for semi-manufactured goods – inputs produced for other firms – as factories adjust their inventories of inputs. In contrast, consumer goods producers reported a further strengthening of demand, hinting that the broader consumer-driven economic upturn remains intact.

"Producers on the whole also seem confident enough in the business outlook to continue adding to payroll numbers at a pace that compares well with the average seen over the past two years, investing further in operating capacity.

"From an inflation perspective, it was also reassuring to see prices charged for goods rise at a slower rate than the 11-month high seen in March. The rate of increase nevertheless remains elevated by historical standards – and well above the average seen in the decade prior to the pandemic – as firms continued to pass higher commodity prices on to customers."

PMI® by S&P Global

the pace of hiring quickening to the fastest in nine months. According to respondents, the increase in employment reflected the replacement of leavers and positive expectations regarding output requirements in the months ahead.

Indeed, firms remained confident that production will rise over the coming year, in part linked to capacity expansions but also hopes that demand conditions will improve. That said, the reduction in new business in the latest survey period acted to dampen optimism, with sentiment at a five-month low.

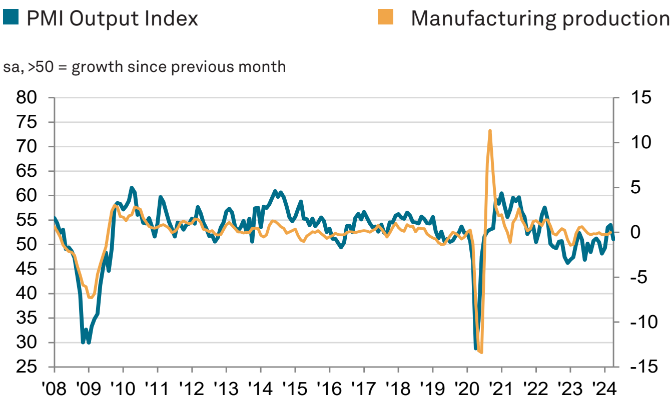
While staffing levels were raised over the month, manufacturers scaled back their purchasing activity in response to the reduction in new orders.

The fall in purchasing and a general reluctance to hold excess inventories at a time of declining new orders fed through to a further solid reduction in stocks of purchases, with the pace of depletion the most marked since last November.

On the other hand, stocks of finished goods increased marginally following a fall in March. The reduction in new orders meant that finished products were sometimes kept in stock awaiting sale.

Input costs increased sharply, with the rate of inflation quickening for the second consecutive month. Higher prices for oil and metals were mentioned in particular. The overall rise was much slower than those seen during 2021 and 2022, but the second-highest seen over the past year. Meanwhile, output prices increased solidly, but to the least extent in three months.

Reduced demand for inputs and sufficient stock holdings at suppliers resulted in a further shortening of lead times on the delivery of purchased items, the third in as many months. The rate of improvement was only marginal, however.



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

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