

News Release

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S&P Global US Manufacturing PMI®

Renewed decline in US manufacturing performance as demand wanes

Key findings

New orders contract with output growth slowing in response

Input cost inflation eases notably

Employment falls for second month running

US manufacturers reported a renewed deterioration in operating conditions in November as lower new orders weighed on the sector's overall performance, according to the latest PMI® survey data from S&P Global. The return to contraction in new sales led to a slower expansion in production and a further cut to headcounts, while inventories continued to be run down and input buying stagnated.

Meanwhile, input costs rose at a notably slower pace. A lower impact from energy and material price pressures dampened inflation, with firms also moderating the extent to which greater costs were passed through to customers as selling prices rose at a slower rate.

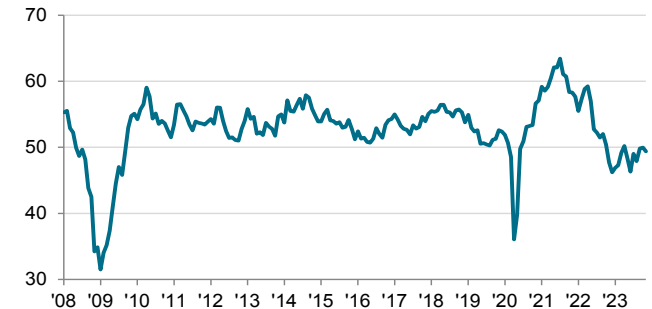
The seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index™ (PMI) posted 49.4 in November, unchanged from the earlier released 'flash' estimate, but down from 50.0 in October. The fall in the headline figure signalled a renewed decline in the health of the manufacturing sector and one that was the strongest since August.

Contributing to the lower headline reading was a sixth drop in new order inflows in the last seven months. Goods producers noted that, although only marginal, the decrease in new sales was linked to weak client demand, economic uncertainty and customers continuing to run down stock levels.

The fall in total new orders was focused on the domestic market as new export sales returned to growth for the first time since May 2022 in November. Foreign client demand reportedly improved, especially for specialist items, with new export orders rising at a modest pace.

Nonetheless, subdued overall demand conditions across the sector resulted in a slower uptick in output. The expansion in production was only marginal, with firms often attributing growth to greater efficiencies in production processes. The pace of upturn was the slowest in the current three-month

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



Source: S&P Global PMI.
Data were collected 08-27 November 2023.

Comment

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

"US manufacturers reported yet another tough month in November. Output barely rose as inflows of new work showed a renewed decline, hinting at little – if any – contribution to fourth quarter GDP from the goods-producing sector."

"Orders have in fact risen in only three of the past 18 months, reflecting a prolonged period of subdued post-pandemic demand, in turn linked to consumers switching their spending to services such as travel and recreation, and business customers reducing excess inventories which had been accumulated during the supply concerns of the pandemic."

"Encouragingly, there are some signs of the inventory cycle starting to turn, with producers of intermediate goods (inputs supplied to other firms) now reporting modest order book growth."

"US producers nevertheless continue to focus on cost cutting by trimming headcounts, and have now taken the knife to payroll numbers for two consecutive months. Barring the early months of the pandemic, the survey has not seen such a back-to-back monthly fall in factory employment since 2009."

"The decline in employment could feed through to weaker consumer spending, but will also reduce wage bargaining power."

"Lower wage pressures, combined with a marked cooling of raw material input cost inflation, have already fed through to a lowering of average factory selling price inflation for goods to a rate below the average seen in the decade prior to the pandemic, the rate of increase dipping again in November to help further lower consumer price inflation in the months ahead."

PMI®

by S&P Global

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sequence of increase.

At the same time, manufacturers recorded a notable moderation in the pace of input price inflation during November. The pace of increase eased to the slowest since August and was well below the historic trend rate. Although resin and steel prices continued to place particular pressure on costs, lower energy and other material expenses led to a softer uptick, according to panellists.

In response to a less marked rise in cost burdens, and in an effort to drive sales, the pace of charge inflation eased in November. Selling prices rose at the joint-slowest pace since July.

US manufacturing employment fell for the second successive month during November. Workforce numbers decreased at the second-fastest rate since June 2020 as some firms used natural attrition to lower staffing levels. That said, other companies noted redundancies following lower new order inflows.

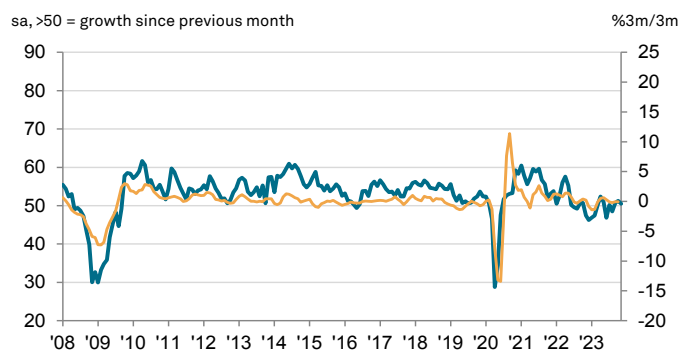
The decline in employment did not hamper firms' efforts to clear backlogs, as unfinished work fell at a quicker and solid pace.

Meanwhile, firms reported little-change to input buying during November compared to the previous month. Nonetheless, manufacturers continued to work through their current holdings of finished goods and purchases in a bid to cut costs.

Some reports of difficulties sourcing certain materials were evident in a smaller improvement in vendor performance. Lead times shortened only marginally and to the weakest extent since January.

Looking ahead, business expectations lifted from October's recent low, but remained below the survey's long-run average to signal subdued growth expectations for the year ahead.

■ PMI Output Index ■ Manufacturing production



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