News Release

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S&P Global US Manufacturing PMI™

PMI signals expansion for first time in six months, but improvement sparks higher price pressures

Key findings

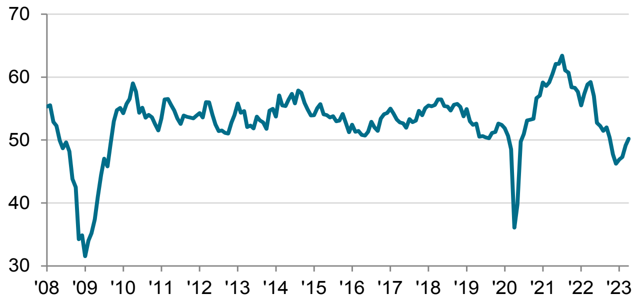
Output and employment rise amid renewed upturn in new sales

Rates of input cost and selling price inflation quicken...

...despite unprecedented improvement in vendor performance

US Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.
Data were collected 12-25 April 2023.

The US manufacturing sector registered a slight improvement in operating conditions during April, according to the latest PMI™ survey from S&P Global. Client demand remained muted despite new orders returning to expansion territory, as inflation concerns remained apparent. That said, the rise in output strengthened, with production increasing at the fastest pace since May 2022. The uptick in demand was centred on the domestic market, as new export orders contracted further. Nonetheless, anticipations of greater future sales led firms to ramp up employment, with the rate of job creation reaching the fastest since September 2022.

Despite subdued customer orders and another drop in input buying, suppliers hiked their prices at a steeper rate. Cost burdens rose at the sharpest pace for three months, as selling prices also increased at an accelerated rate. Higher supplier prices came despite reports of greater stability in supply chains and a survey record (since May 2007) improvement in vendor performance.

The seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index™ (PMI™) posted 50.2 in April, up from 49.2 in March, and broadly in line with the earlier released 'flash' estimate of 50.4. The latest index reading was the first to post above the 50.0 neutral mark for six months and was the highest since October 2022.

Supporting the renewed overall upturn was a return of new order growth following six successive months of contraction. The rise in new sales was only fractional, however, as manufacturers continued to note hesitancy among customers to place orders amid higher prices and global economic uncertainty. The improvement in demand was also limited to the domestic market, as new export orders contracted for an eleventh consecutive month and at a solid pace.

Output levels at goods producers rose for the second month running in April. The upturn in production was modest overall

Comment

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

"US manufacturing output has regained some encouraging momentum at the start of the second quarter, having stabilised in March after four months of decline.

"While the upturn is in part linked to greatly improved supply chains, helping reduce backlogs of orders, April also saw a welcome upturn in new order inflows for the first time since last September.

"Although only modest, the rise in new orders hints at a tentative revival of demand, notably from consumers but there are also signs that fewer customers are deliberately winding down their inventory levels.

"The brightening demand picture was accompanied by a lifting of business confidence about the outlook and increased hiring. The downside was a reigniting of inflationary pressures, with a stronger order book encouraging more firms to pass through higher costs to customers."

yet the fastest for close to a year. Increased employment, better supply chains and signs of some improvement in demand conditions supported growth, according to panellists.

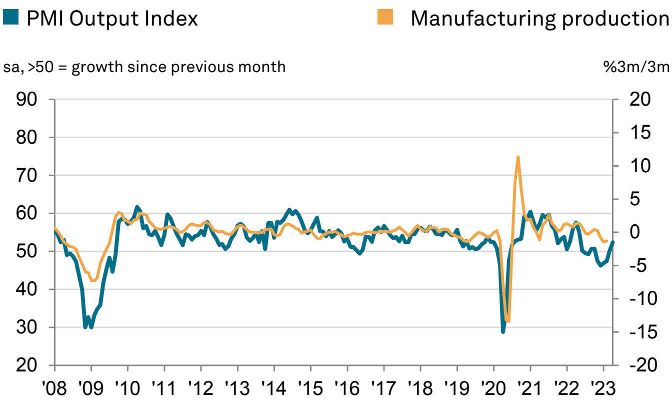
Meanwhile, input costs and output charges increased at steeper rates during April. Higher supplier prices reportedly drove inflation as firms passed through greater operating expenses to customers. The rate of cost inflation quickened to the sharpest in three months, while the pace of increase in selling prices also accelerated above the series average.

Hikes in supplier prices came despite marked improvements in supply chain stability. Vendor performance strengthened to the greatest extent on record (since May 2007) amid increased material availability. That said, manufacturers continued to reduce their purchasing activity amid subdued demand conditions and sufficient inventory levels. Firms purposefully depleted stocks of purchases and finished goods, as inventories were used to supplement production, with contractions seen in both.

The filling of long-held vacancies and anticipations of greater new order inflows to come led to a stronger increase in employment in April. Manufacturers expanded workforce numbers at the fastest pace in seven months in an effort to broaden capacity.

In turn, goods producers were better placed to process incomplete work. Backlogs of work fell further and at a solid pace, albeit the slowest in the current seven-month sequence of decline.

Manufacturers were upbeat in their year-ahead output expectations in April. The degree of optimism rose to the strongest for three months and was broadly in line with the series long-run average. Planned investment, greater supply chain reliability and hopes of an uptick in client demand reportedly drove confidence.



Sources: S&P Global, US Federal Reserve.

Contact

Chris Williamson
Chief Business Economist
S&P Global Market Intelligence
T: +44-20-7260-2329
chris.williamson@spglobal.com

Siân Jones
Senior Economist
S&P Global Market Intelligence
T: +44-1491-461-017
sian.jones@spglobal.com

Katherine Smith
Corporate Communications
S&P Global Market Intelligence
T: +1 (781) 301-9311
katherine.smith@spglobal.com

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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@ihsmarkit.com.

About S&P Global

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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. ihsmarkit.com/products/pmi.html.