

# News Release

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## S&P Global US Manufacturing PMI™

### Softest decline in output for three months as supply-chain conditions improve

#### Key findings

Decrease in new sales sparks further, but slower, fall in output

Greatest improvement in lead times since May 2009

Selling prices rise at sharper pace despite softer uptick in costs

US manufacturing firms signalled a solid decline in the health of the sector during February, according to the latest PMI™ data from S&P Global. The deterioration in operating conditions stemmed largely from further contractions in output and new orders, although rates of growth slowed in both instances. Weak domestic and foreign client demand reportedly drove a further drop in total new sales as firms adjusted their spending activity and inventory holdings down accordingly. Lower demand for inputs meanwhile helped spur the greatest improvement in vendor performance since May 2009. Manufacturers raised their workforce numbers at the fastest pace for five months, helping drive a further drop in backlogs of work.

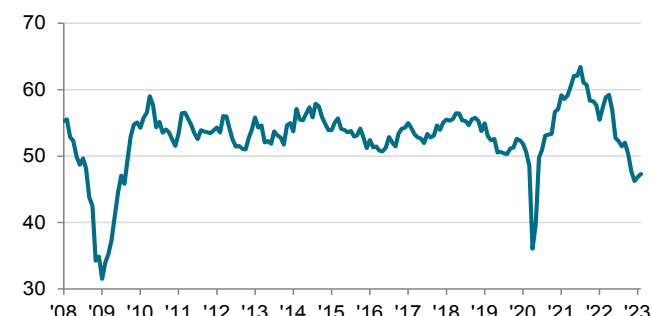
At the same time, the rate of charge inflation accelerated again to a marked pace as firms sought to pass on higher costs to customers. Conversely, input costs increased at a softer rate.

The seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index™ (PMI™) posted 47.3 in February, up slightly from 46.9 in January, but down from the earlier released 'flash' estimate of 47.8. The latest data indicated a solid deterioration in the health of the goods-producing sector, despite the pace of decline softening to the slowest for three months.

A further drop in new order inflows contributed to the continued overall decline in manufacturing sector health in February. The rate of contraction was little-changed from that seen in January and was strong overall. Lower new sales were often attributed to destocking at customers, which weighed on client demand. Foreign demand conditions also weakened further, with new export orders falling for the ninth month running. The pace of decrease quickened from January and was solid overall.

The dearth of client demand led to a fourth successive monthly fall in production across the manufacturing sector

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



Source: S&P Global.  
Data were collected 10-23 February 2023.

#### Comment

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

*“US manufacturing remained under intense pressure in February. Although the PMI rose slightly, it continues to signal the steepest downturn outside of pandemic lockdown months since 2009.*

*“Moreover, some of the improvement in output could merely be attributed to faster supplier delivery times, which quickened to the greatest extent since 2009 to facilitate higher production and enable factories to work through previously placed orders. The worry is that new order inflows continue to fall sharply as many companies report disappointing sales, linked in part to a sustained trend towards cost-saving inventory reduction and low levels of confidence at their customers, both at home and abroad. None of this points to a healthy economic situation.*

*“There was some brighter news in that factory jobs growth picked up slightly amid reports of greater success in filling vacancies, and the improvement in supply chains helped reduce input cost inflation. However, rising wage pressures and efforts to raise margins meant average prices for goods leaving the factory gate rose sharply once again, the rate of inflation accelerating for a second straight month to hint at stubbornly high price pressures.”*

PMI™

by S&P Global

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in February. The rate of contraction softened to the slowest in three months but remained steep by historical standards of the survey.

Input prices faced by manufacturing firms increased at a sharp pace midway through the first quarter, as higher raw material costs pushed operating expenses up. That said, the rate of cost inflation eased to the second-slowest since September 2020 amid reports that some items had fallen in price.

Nonetheless, firms sought to pass-through higher costs to clients via another rise in selling prices in February. The rate of charge inflation gathered pace for the second month running and was the quickest since November 2022. Although slower than those seen throughout the last two years, the pace of increase was well above the series trend.

Supporting a moderation in input costs was a solid improvement in supplier performance midway through the first quarter. Lead times were reduced to the greatest extent since May 2009 amid lower demand for inputs and a fall in logistic delays. Partially driving this improvement was a steep drop in input buying among manufacturers. Firms opted to deplete inventories instead, as stocks of purchases and finished goods contracted.

Despite a decrease in new orders, manufacturers recorded the fastest pace of job creation since September 2022. Firms reported an easing labor shortages as some long-held vacancies were filled.

Meanwhile, goods producers registered a further fall in backlogs of work amid lower new order inflows. The rate of decline was the slowest in four months, however.

Finally, manufacturing firms remained upbeat in their expectations regarding the outlook for output over the coming 12 months. The degree of confidence was the second-strongest since May 2022 despite being below the series trend.

**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.

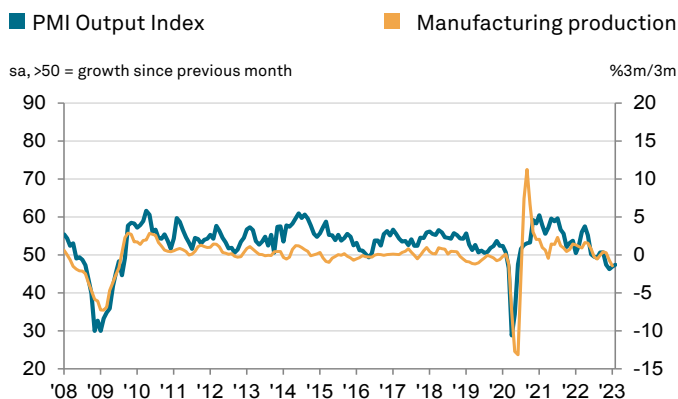
Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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Sources: S&P Global, US Federal Reserve.

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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](https://ihsmarkit.com/products/pmi.html).