

Embargoed until 0945 EST (1445 UTC) 1 March 2019

## IHS MARKIT US MANUFACTURING PMI™

### PMI dips to 18-month low in February

#### KEY FINDINGS

Operating conditions improve at slowest pace since August 2017

Rates of output and new order growth soften

Inflationary pressures ease

February data signalled a softer, but still solid, improvement in operating conditions across the U.S. manufacturing sector. The headline PMI slipped to its lowest since August 2017 amid slower expansions in output and new orders. Notably, the increases were slower than their respective long-run trends, with growth rates dipping to 17- and 20-month lows, respectively. Meanwhile, foreign client demand continued to rise marginally. A sustained upturn in new orders led to a further rise in employment, with backlogs also increasing.

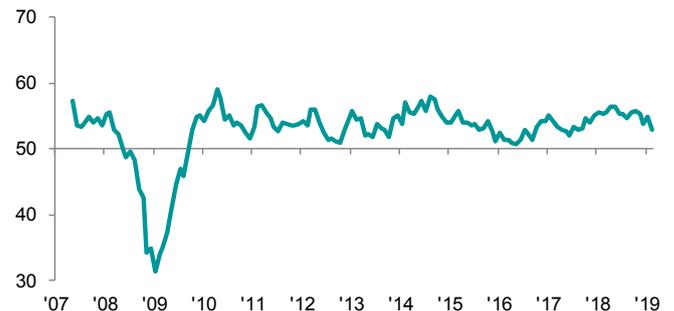
At the same time, inflationary pressures softened in February. Rates of both input price and output charge inflation eased from January, with the former edging down to an 18-month low.

The seasonally adjusted IHS Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 53.0 in February, down from 54.9 at the start of the year. Midway through the first quarter of 2019, manufacturing firms indicated a solid, albeit softer, improvement in the health of the sector, with the index registering its lowest level for 18 months.

Production increased further in February, albeit at a slower pace. Panellists reported that the upturn stemmed from a sustained expansion in new business and efforts to clear backlogs. That said, the rise in output was modest overall, with growth the softest since September 2017 and below the long-run trend.

Similarly, new business received by manufacturers expanded at a slower rate in February. The modest upturn was the weakest since June 2017. Although panellists stated that

Manufacturing PMI  
sa, >50 = improvement since previous month



firmer client demand drove the latest increase, some firms noted that longer lead times were pushing clients to find alternatives. Foreign client demand, however, continued to increase. Though marginal, the rise in new export orders quickened since January.

On the price front, input cost inflation eased to an 18-month low in February. The increase in purchasing prices was nevertheless sharp, reflecting higher raw material costs and tariffs. Factory gate prices rose solidly, albeit at the second-lowest rate since December 2017.

The rate of job creation was faster than the series trend in February, with firms raising their workforce numbers solidly. Pressure on capacity was exhibited by another monthly rise in backlogs of work. Although only fractional, the latest increase extends the current sequence of order book accumulation to 19 months.

A slower rise in new business reportedly led to softer growth in buying activity. Growth in pre-production inventories also eased in February as stocks of inputs were used in production.

Finally, expectations towards the one-year outlook for output remained positive in February. Panellists were buoyed by forecasts of further upturns in new business. That said, the degree of confidence slipped to the second-lowest since November 2016 (behind December 2018).

COMMENT

Chris Williamson, Chief Business Economist at IHS Markit said:

*"The PMI indicates the US manufacturing sector is growing at its weakest rate for one and a half years, with firms reporting a marked easing in production growth in February, linked to a similar slowdown in order book growth.*

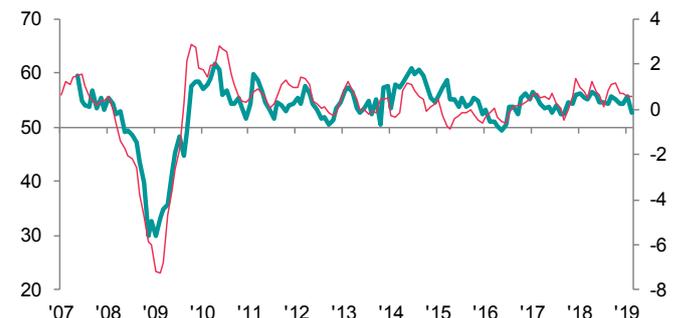
*"The survey exhibits a strong advance correlation with comparable official data, and suggests that factory production and orders growth rates are close to stalling mid-way through the first quarter, albeit in part representing some pay-back after a strong January. Export markets remained the principal drag on order books.*

*"Having seen demand grow faster than production through much of 2018, order book and output trends have come back into line in recent months, hinting at an alleviation of capacity constraints as demand cools. Backlogs of works barely rose as a result, and price pressures have likewise moderated, though tariffs were again reported to have pushed costs higher. Hiring has consequently also slowed.*

*"Worries regarding the impact of tariffs and trade wars, alongside wider political uncertainty, undermined business confidence, with expectations of future growth running at one of the most subdued levels seen for over two years and suggesting downside risks prevail for coming months."*

Output Index

sa, >50 = growth since previous month



Sources: IHS Markit, U.S. Federal Reserve.

Manufacturing production

%3m/3m

Employment Index

sa, >50 = growth since previous month



Sources: IHS Markit, Bureau of Labor Statistics.

Manufacturing payrolls

Monthly change (000s)

CONTACT

IHS Markit

Chris Williamson  
Chief Business Economist  
T: ++44-20-7260-2329  
[chris.williamson@ihsmarkit.com](mailto:chris.williamson@ihsmarkit.com)

Siân Jones  
Economist  
T: +44-1491-461-017  
[sian.jones@ihsmarkit.com](mailto:sian.jones@ihsmarkit.com)

Joanna Vickers  
Corporate Communications  
T: +44-207-260-2234  
[joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

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.

February 2019 data were collected 12-22 February 2019.

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

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (Nasdaq: 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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2019 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com). To read our privacy policy, click [here](#).

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. To learn more go to [ihsmarkit.com/products/pmi.html](http://ihsmarkit.com/products/pmi.html).