

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0945 (EDT) / 1345 (UTC) September 1st 2017

IHS Markit U.S. Manufacturing PMI™ – final data

Manufacturing output expands at weakest pace since June 2016

Key findings:

- Production rises at modest pace
- Exports drag on order book growth
- Employment increases at strongest pace in six months

Data collected August 11-24

IHS Markit U.S. Manufacturing PMI (s. adjusted)



Source: IHS Markit.

August's PMI reading signalled a further improvement in operating conditions among US manufacturing firms. The upturn was partly driven by an increase in new orders. In line with rising client demand, workforce numbers grew at the fastest pace in six months. However, production levels increased at the weakest rate since June 2016. As a result, the level of outstanding business rose for the first time since April. Inflationary pressures intensified, with input prices and output charges both rising at faster rates. Business confidence remained robust, but softened slightly since July.

The seasonally adjusted IHS Markit final **US Manufacturing Purchasing Managers' Index™ (PMI™)** registered 52.8 in August, down slightly from July's reading of 53.3. Nonetheless, the latest index figure signalled an ongoing improvement in operating conditions across the US manufacturing sector.

Weighing on the headline index was a softer rise in manufacturing production. Output at manufacturing firms increased at the weakest pace since June 2016 in August. Some panellists noted that relatively subdued foreign client demand had limited growth in production.

Meanwhile, new orders rose at a pace only slightly weaker than July. Anecdotal evidence linked the rise in new business to improving domestic economic conditions and an associated rise in customer demand. In contrast, new export sales were broadly unchanged in August, following a fractional contraction in July.

For the first time since April, the level of outstanding business at manufacturing firms increased. Backlogs rose at a modest rate and panellists generally linked growth to greater volumes of new orders. Subsequently, firms continued to hire additional staff. Workforce numbers expanded at the strongest pace in six months.

On the price front, cost burdens increased at the fastest rate since April and output price inflation was the strongest in three months. Panellists noted that input cost inflation was driven by higher raw material prices, especially steel and electrical components. Firms generally passed these rises on to clients through increased factory gate charges.

In line with slower output growth, buying activity and inventories expanded at weaker rates. Nonetheless, a sustained increase in purchasing activity amid reports of stock shortages at vendors contributed to the greatest deterioration in vendor performance since March.

Positive sentiment remained robust in August, despite slipping slightly since July. Anecdotal evidence stated that optimism was influenced by improving market conditions and stronger client demand.

Comment

Commenting on the final PMI data, Chris Williamson, Chief Business Economist at IHS Markit said:

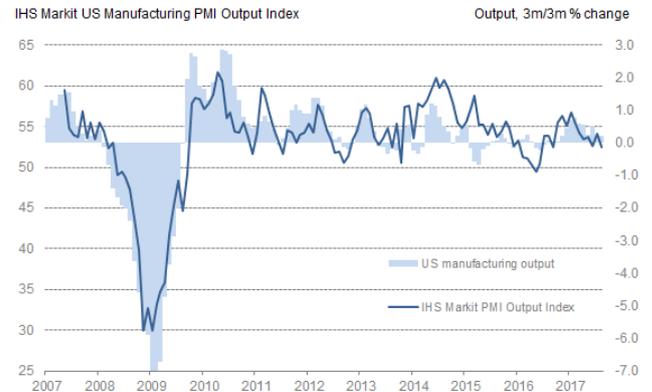
“Although still above the 50 ‘no change’ level, the decline in the PMI shows signs of a renewed stuttering of the manufacturing economy during August. The latest reading indicates one of the weakest improvements in the overall health of the sector seen over the past year, and translates into disappointing signals for comparable official data.

“The drop in the output index indicates that manufacturing could act as a drag on the economy in the third quarter, with exports dampening order book growth.

“The survey brings more encouraging signs of improved domestic demand, however, with orders for both consumer goods and investment goods such as plant and machinery on the rise, boding well for the wider economy to continue to expand as we move through the second half of 2017.”

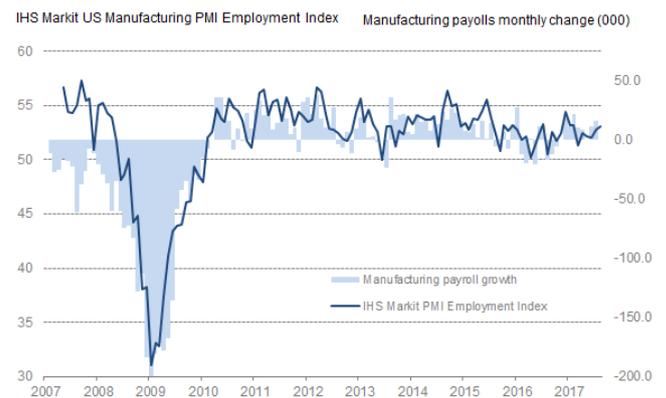
-Ends-

Manufacturing output



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

Manufacturing employment



Sources: IHS Markit, Bureau of Labor Statistics.

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IHS Markit originally began collecting monthly *Purchasing Managers' Index*™ (PMI™) data in the U.S. in April 2004, initially from a panel of manufacturers in the U.S. electronics goods producing sector. In May 2007, IHS Markit's U.S. PMI research was extended out to cover producers of metal goods. In October 2009, IHS Markit's U.S. Manufacturing PMI survey panel was extended further to cover all areas of U.S. manufacturing activity. Back data for IHS Markit's U.S. Manufacturing PMI between May 2007 and September 2009 are an aggregation of data collected from producers of electronic goods and metal goods producers, while data from October 2009 are based on data collected from a panel representing the entire U.S. manufacturing economy. IHS Markit's total U.S. Manufacturing PMI survey panel comprises over 600 companies.

The panel is stratified by North American Industrial Classification System (NAICS) group and company size, based on industry contribution to U.S. GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The *Purchasing Managers' Index*™ (PMI™) is a composite index based on five of the individual indexes with the following weights: New Orders – 0.3, Output – 0.25, Employment – 0.2, Suppliers' Delivery Times – 0.15, Stocks of Items Purchased – 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

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