

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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IHS Markit U.S. Manufacturing PMI™ – final data

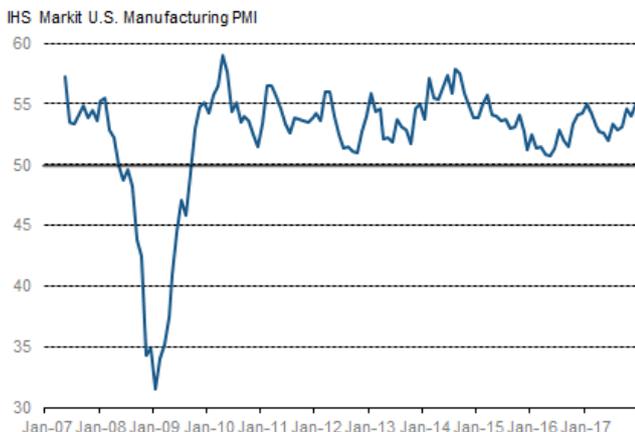
December PMI signals strongest manufacturing growth since March 2015

Key findings:

- Output expands at quickest pace in 11 months...
- ...supported by steep increase in total new work
- Rate of job creation fastest since September 2014

Data collected December 5-15

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



Source: IHS Markit.

December data indicated a marked improvement in US manufacturing operating conditions. The latest upturn was supported by faster increases in output and new orders, amid reports of greater client demand. In line with stronger production growth, employment rose further and at the fastest pace since September 2014. Backlogs meanwhile increased at the quickest rate since October 2015 to indicate ongoing capacity pressures. Supply chain delays and increased global demand for inputs pushed costs up further, with the rate of cost inflation remaining sharp overall. Charge inflation, however, softened. Business confidence remained

robust, driven by more favourable demand conditions.

The seasonally adjusted IHS Markit final **US Manufacturing Purchasing Managers' Index™ (PMI™)** registered 55.1 in December, up from 53.9 in November. The latest index reading was the highest since March 2015 and signalled a solid improvement in the health of the sector. December data also rounded off the strongest quarterly performance since the start of 2015.

Output at manufacturers expanded at a steep pace in December, with growth reaching an eleven-month high. Panellists attributed greater production to more favourable demand conditions and increased new order volumes.

New business received by manufacturers continued to rise in December, with the rate of expansion accelerating to a ten-month high. Anecdotal evidence linked increases to greater demand from new and existing clients. Exports sales, however, grew at a marginal pace.

In line with greater production requirements, firms added to their payrolls and at the fastest rate since September 2014. Increased capacity pressures were also reflected in backlog accumulation. The upturn in outstanding business accelerated and was the quickest since October 2015.

Meanwhile, input price pressures intensified with the rate of cost inflation accelerating for the second consecutive month. Furthermore, the marked rate of increase was the second-fastest since December 2013. Panellists linked rises to higher raw material prices, which partly stemmed from supplier delays. Meanwhile, factory gate charges rose solidly, despite the rate of inflation softening since November.

Greater production requirements also impacted purchasing activity which increased at the fastest pace since February. As a result, pre-production stocks also expanded at the end of the year.

Business confidence remained robust in December, with manufacturers reporting the second-highest level of optimism since January 2016. Positive output expectations were linked to forecasts of greater client demand.

Comment

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

“US manufacturers ended 2017 on a high. Output growth accelerated to its fastest since the start of the year on the back of a marked upswing in demand as the year came to a close.

“Prospects for the upturn also look good. With business optimism about the year ahead running at its highest for two years in the closing months of 2017, companies are clearly expecting to be busier in 2018.

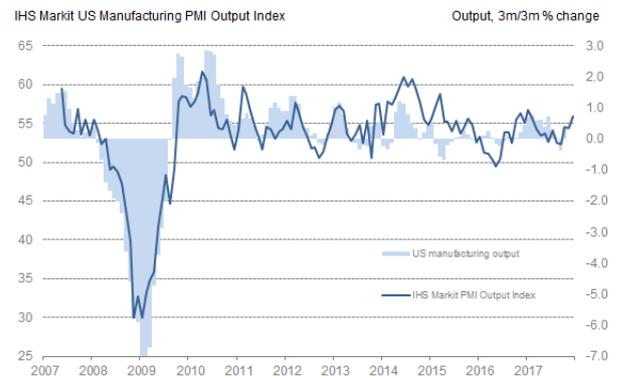
“The upbeat mood is underscored by an increased appetite to hire new staff, with the survey indicating that factory payroll numbers are rising at a rate not seen for over three years.

“Indicators of backlogs of work and input buying likewise suggest production will continue to grow at a solid pace as we move into 2018. However, the strengthening of demand for raw materials has led to supply chain delays, which have in turn been increasingly linked to higher prices as a sellers’ market develops. Input price inflation accelerated to one of the highest rates seen over the past five years in December, as suppliers hiked prices for a wide range of inputs.

“The combination of strengthening growth, a solid labour market and rising prices will add to expectations that the Fed will remain on track for another rate hike in the near future, with March looking a likely possibility.”

-Ends-

Manufacturing output



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

Manufacturing employment



Sources: IHS Markit, Bureau of Labor Statistics.

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Note to Editors:

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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