# News Release

**Purchasing Managers' Index™**
**MARKET SENSITIVE INFORMATION**
**EMBARGOED UNTIL: 0945 (EDT) / 1345 (UTC) July 22nd 2016**

# Markit Flash U.S. Manufacturing PMI™

## Sharpest rise in US manufacturing production since November 2015

**Key findings:**

- Output growth accelerates to an eight-month high in July
- New business volumes expand at fastest pace since October 2015
- Strongest increase in manufacturing payroll numbers for 12 months

Data collected July 12-21

**Markit U.S. Manufacturing PMI** (seasonally adjusted)


*Source: IHS Markit.*

July data signalled a further rebound in business conditions across the U.S. manufacturing sector, led by a robust expansion of incoming new work and the fastest upturn in production volumes for eight months. Job creation also strengthened in July, with the latest increase in payroll numbers the fastest seen over the past 12 months. At the same time, input cost inflation edged up to its strongest since November 2014 but factory gate prices rose only marginally.

At 52.9 in July, up from 51.3 in June, the seasonally adjusted **Markit Flash U.S. Manufacturing** ***Purchasing Managers' Index™*** **(*PMI™*)**[1] pointed to a solid improvement in overall business conditions. Moreover, the headline index continued to recover from its post-crisis low seen in May, with the latest reading the strongest since October 2015. Faster rises in output, new orders and employment were the key positive influences in July, while sustained inventory cutbacks acted as a drag on the PMI.

Higher levels of **manufacturing production** have now been recorded for the past two months, with the latest expansion the fastest since November 2015. Survey respondents commented on strong sales growth, the launch of new products and generally favourable domestic economic conditions. Some firms noted that weak demand from the energy sector and uncertainty related to the presidential election remained growth headwinds.

An acceleration of production growth was driven by a robust rise in **new business volumes** in July. The latest expansion was the fastest for nine months and close to its post-crisis average. Meanwhile, **new export orders** rose at a weaker pace than seen for overall new business, suggesting that domestic markets remained the main driver of growth in July. However, although only modest, the latest rise in new export orders still compared favourably with the stagnation seen on average over the past year-and-a-half.

Improved demand conditions and greater production volumes encouraged further **job creation** across the manufacturing sector in July. The latest survey highlighted a solid upturn in employment numbers, with the pace of expansion the fastest for exactly one year.

[1] Please note that Markit's PMI data, flash and final, are derived from information collected by Markit from a different panel of companies to those that participate in the ISM Report on Business. No information from the ISM survey is used in the production of Markit's PMI.

Manufacturers also boosted their **input buying** in response to greater workloads. Higher levels of purchasing activity have now been recorded for three months running, but the latest survey indicated that **input stocks** were depleted again. **Finished goods inventories** also decreased in July, which firms linked to deliberate stock reduction policies and associated efforts to boost efficiency.

Meanwhile, the latest survey signalled a solid pace of **input cost inflation** across the manufacturing sector. Increased input prices have now been recorded for four months in a row and the rate of inflation picked up to its strongest since November 2014.

Anecdotal evidence suggested that higher steel prices and rising staff salaries had contributed to upward pressure on average cost burdens. Despite a faster rise in input costs, July data signalled that **output charge inflation** remained marginal and eased since the previous month.

## Comment

Commenting on the flash PMI data, Chris Williamson, Chief Economist at Markit said:

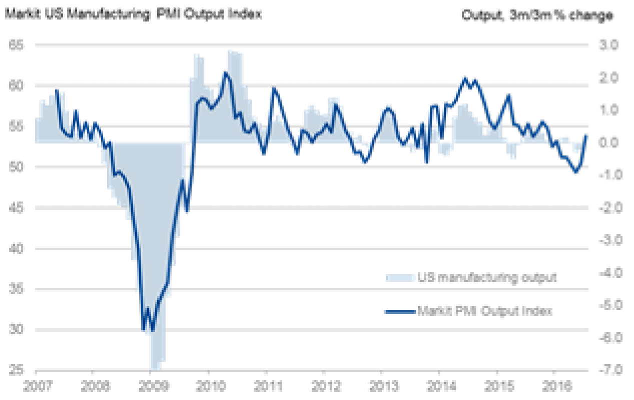
*"July saw manufacturers battle against a strong dollar, the ongoing energy sector downturn and political uncertainty ahead of the presidential election, yet still achieved the best growth seen since last year.*

*"It remains too early to say if this is the start of a stronger upturn, but this is a welcome and encouraging sign of revival after the second quarter, in which the PMI signalled the sector's worst performance for over six years.*

*"In particular, an upturn in hiring which resulted in the strongest job growth for a year suggest companies are feeling brighter about the outlook and starting to expand capacity again."*

-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:

Final July data are published on 1 August 2016.

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, Markit's U.S. PMI research was extended out to cover producers of metal goods. In October 2009, Markit's U.S. Manufacturing PMI survey panel was extended further to cover all areas of U.S. manufacturing activity. Back data for 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. Markit's total U.S. Manufacturing PMI survey panel comprises over 600 companies.

The flash estimate is typically based on approximately 85%–90% of total *PMI* survey responses each month and is designed to provide an accurate advance indication of the final *PMI* data.

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 indictors 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.

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 Markit. Please contact economics@markit.com.

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**About PMI**
Purchasing Managers' Index® (PMI®) surveys are now available for over 30 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 www.markit.com/economics.