Markit Flash U.S. Manufacturing PMI™

U.S. manufacturing sector performance rebounds strongly in February

Key points:
- Manufacturing PMI hits highest level for almost four years
- Sharp rebound in output and new order growth
- Cost inflation eases to eight-month low

Data collected 12 – 19 February 2014.

February data suggested a solid rebound in U.S. manufacturing business conditions following the slowdown recorded during the previous month. This was highlighted by a rise in the Markit Flash U.S. Manufacturing Purchasing Managers’ Index™ (PMI™), which is based on approximately 85% of usual monthly replies, from 53.7 in January to 56.7 in February. The latest reading pointed to the fastest overall improvement in U.S. manufacturing business conditions since May 2010.

Flash U.S. Manufacturing PMI™ Summary

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Markit U.S. Manufacturing PMI (seasonally adjusted)

The upturn in the headline U.S. Manufacturing PMI was driven by sharp and accelerated increases in both production levels and incoming new work during February. Latest data indicated that output growth recovered strongly from January’s three-month low, suggesting manufacturers have started to shake off the disruptions caused by heavy snowfall and extreme weather conditions in parts of the U.S.

Moreover, new business volumes increased at the sharpest rate since May 2010, suggesting resilient underlying demand across the U.S. manufacturing sector. Higher levels of new work in February partly reflected a return to export sales growth following a slight reduction during the previous month.

Manufacturers indicated that positive job hiring trends continued in February, thereby extending the current period of employment growth across the sector to eight months. Latest data signalled a solid pace of job creation that was the joint-sharpest since March 2013. Survey respondents suggested that greater production requirements, confidence in the economic outlook and, in some cases, pressures on operating capacity had led to rising workforce numbers in February.

Higher levels of new business and some on-going disruptions from the extreme weather conditions were also reported. However, manufacturers in the sample have indicated an increased visibility of disruption as snowfall and extreme weather conditions eased in February.

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.
this year contributed to a sharp increase in backlogs of work during February. The latest accumulation of work-in-hand in the manufacturing sector was the steepest since the survey began in May 2007.

**Manufacturing output**

![Graph of PMI Output Index and Manufacturing Production (3m3m % chg)](image)

Sources: Markit, U.S. Federal Reserve.

Meanwhile, manufacturers pointed to a further marked reduction in their stocks of finished goods, largely reflecting strong underlying demand in February. Higher production requirements and efforts to guard against delays in the receipt of deliveries from suppliers contributed to a rise in stocks of inputs for the first time since June 2013. Latest data signalled that suppliers' lead-times lengthened to the greatest degree recorded for five-and-a-half years, which survey respondents overwhelmingly linked to unusually bad weather conditions in 2014 to date.

**Manufacturing new orders**

![Graph of PMI New Orders Index and Durable Goods Orders (3m3m % chg)](image)

Sources: Markit, U.S. Census Bureau.

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

“The flash manufacturing PMI provides the first indications that production has rebounded from the weather-related slowdown seen in January. Having slumped to a three-month low in January the PMI surged to its highest for almost four years in February, as companies reported business returning to normal after freezing temperatures and snow disrupted operations and supply chains.

“Hiring also picked up to the fastest since last March, with the survey signalling approximately 15,000 jobs being created in February.

“While the strong PMI reading in part represents a rebound from the temporary weakness seen at the start of the year, further growth looks likely in coming months, suggesting the underlying health of the economy remains robust. In particular, February saw the largest rise in backlogs of work seen since prior to the financial crisis, as well as a further steep fall in inventories of finished goods. Both point to ongoing growth of production and hiring in March.”

-Ends-

February data signalled that input cost inflation eased for the second month running. The latest increase in input prices was the slowest since June 2013. Anecdotal evidence suggested higher prices for metals (especially steel and copper) were a key source of cost inflation in February. In line with slower overall cost inflation, latest data pointed to a weaker rise in manufacturers’ output charges. The rise in factory gate prices during February was the slowest since September 2013.
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Note to Editors:

Final February data are published on 3 March 2014.

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 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.

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 32 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.

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