

United States

Factories report weakest growth since October 2013

- **Flash PMI slides to 20-month low in June**
- **Export orders stagnate in response to strong dollar**
- **Hiring picks up, but robust job creation unlikely to be sustained unless demand revives**

US manufacturers reported a disappointing end to the second quarter, with factory output growing at the slowest rate for a year-and-a-half.

The Markit Flash Manufacturing PMI™ registered 53.4 in June, down from 54.0 in May and the lowest reading since October 2013.

While the survey data point to the economy rebounding in the second quarter, the weak PMI number for June raises the possibility that the industrial sector is seeing a loss of momentum heading into the third quarter.

The slowdown is being led by weak export performance, which many producers in turn linked to a loss of competitiveness caused by the strong dollar. Although stabilising in June after declining in April and May, export orders have not shown any growth since February.

Employment continued to rise, with the rate of job creation accelerating to show the strongest monthly gain since November 2014. However, the labour market tends to lag changes in order books. Firms are therefore likely to start easing back on hiring unless demand revives in coming months.

The survey results will add to further worries about the damaging impact of the strong dollar, and encourage the Fed to be cautious in terms of the timing the first interest rate hike. While a September rise still looks likely, given the ongoing strength of the [service sector](#), any further deterioration in the data are likely to push the first hike into next year. Flash services PMI data for June are published on 25th June.

US manufacturing output v Markit PMI



US manufacturing employment v Markit PMI



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