

# United States

## Flash PMI signals robust growth but highlights cautious mood in manufacturing

- **Flash PMI rises to three-month high**
- **Survey measures of exports, employment and orders all deteriorate**
- **Input prices fall at fastest rate since mid-2012**

US factory output growth ticked higher for a second successive month in February, suggesting the goods-producing sector is on course to make a robust contribution to the economy in the first quarter.

Rising from 53.9 in January, the Markit Flash US Manufacturing PMI™ hit a three-month high of 54.3 in February.

The upturn occurred despite widespread delivery delays caused by heavy snowfall and port strikes, which may have also been a factor behind a near-stagnation of exports, suggesting the underlying picture may have been one of slightly stronger growth.

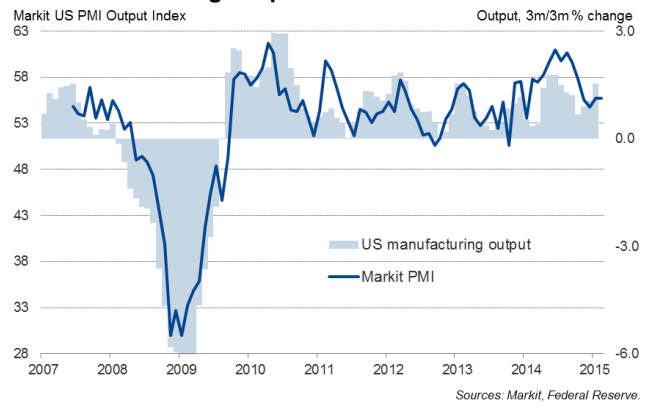
However, the rate of growth remains well down on last year's peaks, and a slowing of new order growth to the weakest for just over a year looks to have caused employers to take a more cautious approach to hiring. Worries over Russia and the eurozone also continue to dampen risk appetite.

The survey's index of new orders fell to its lowest since January of last year, and the employment index hit its lowest since July, when the index had briefly dipped lower before recovering again.

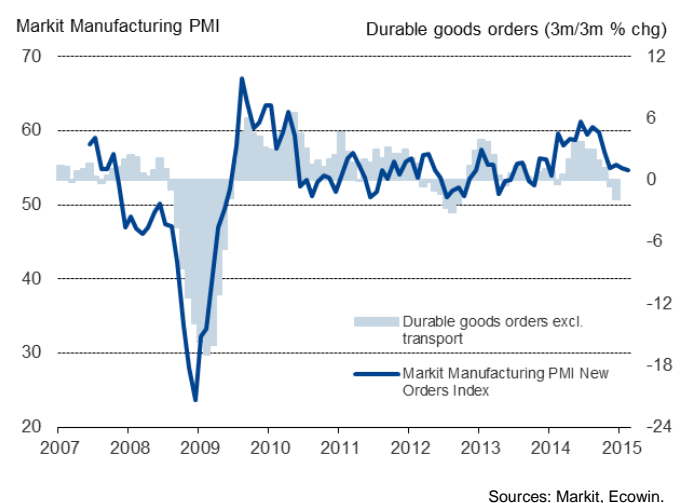
The latest survey data therefore add to the sense that, while still expanding at a solid pace, the US economy has entered a slower growth phase. First quarter GDP growth is looking more like the 2.6% annual pace seen in the fourth quarter of last year than the 5.0% pace seen in the third quarter.

However, policymakers, juggling with the decision as to when the economy can start to withstand higher interest rates, will at least be reassured that lower manufacturing costs, now falling at the fastest rate since mid-2012, should help drive inflation down further in coming months and allow policy to be kept looser for longer if needed.

**US manufacturing output v Markit PMI**



**US goods orders v Markit PMI**



**US manufacturing employment v Markit PMI**



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