

United States

Flash manufacturing PMI drops to joint-lowest since 2009

- **February Flash PMI signals weakest performance since October 2012, and joint-lowest reading since 2009**
- **Output index consistent with 1.2% annualised decline in manufacturing output**
- **Employment index points to 4k drop in factory payroll numbers**

US factories are reporting the worst business conditions for over three years, and one of the worst months since the global financial crisis.

The headline Markit PMI fell from 52.4 in January to 51.0 in February, according to the 'flash' reading, an early cut of the data based on around 85% of expected monthly replies. The February reading matched the post-recession low seen in October 2012.

Warning lights

Every indicator from the flash PMI survey, from output, order books and exports to employment, inventories and prices, is flashing a warning light about the health of the manufacturing economy. The survey showed output and order books growing at one of their slowest rates since late-2012, with exports falling amid weakened global demand and the strong dollar.

Hiring has weakened as a result. With backlogs of work slumping to the greatest extent since the height of the recession in 2009 and inventories rising for the third successive month, the survey suggests that firms will come under increasing pressure to cut payroll numbers and production in coming months unless demand revives.

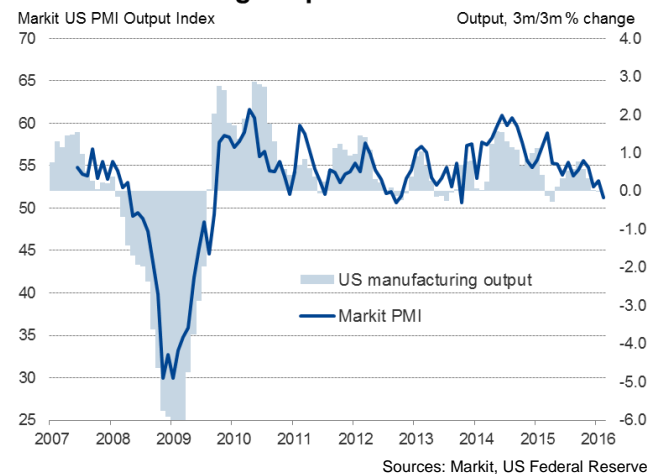
Prices charged are meanwhile falling at the fastest rate since mid-2012 as firms compete to win or retain customers.

The one caveat is that the survey was conducted in a month in which parts of the US suffered extreme weather. However, few survey respondents reported that the weather had a material impact on business

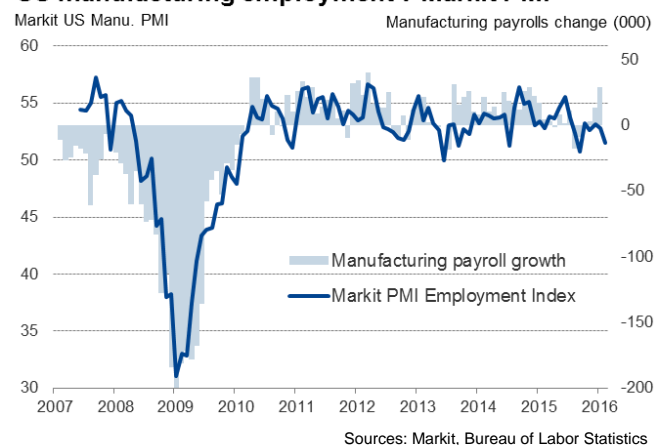
over the month, instead often simply observing a general slowdown in trade and the economy.

A simple regression-based model indicates that the survey is indicating a 0.3% quarterly (1.2% annualised) rate of decline of manufacturing output. The survey's employment index is meanwhile consistent with a 4,000 fall in factory payroll numbers in February.

US manufacturing output v Markit PMI



US manufacturing employment v Markit PMI



Chris Williamson

Chief Economist, Markit

Tel: +44 207 260 2329

Email: chris.williamson@markit.com

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