

## United States

### Flash manufacturing PMI picks up from June's low but raises slowdown worries

- **Flash PMI picks up from June's 20-month low**
- **Overall pace of expansion still second-weakest seen since the start of 2014**
- **Hiring slows, while price pressures decline**

A modest upturn in the headline US manufacturing PMI belies some more worrying undercurrents which point to potential weakness in coming months.

Markit's Manufacturing PMI™ edged up to 53.8 in July from June's 20-month low of 53.6, according to the 'flash' estimate (based on about 85% of usual replies). The latest reading was comfortably above the 50.0 no-change value, although a far cry from the peaks seen last year.

Although companies saw output and order book growth regain a little momentum at the start of the third quarter, the overall pace of expansion was nevertheless the second-weakest seen since the start of 2014.

Manufacturing has been stuck in a lower gear in recent months compared to the strong expansion seen through much of last year, linked to weak exports and uncertainty about the economic outlook at home and abroad.

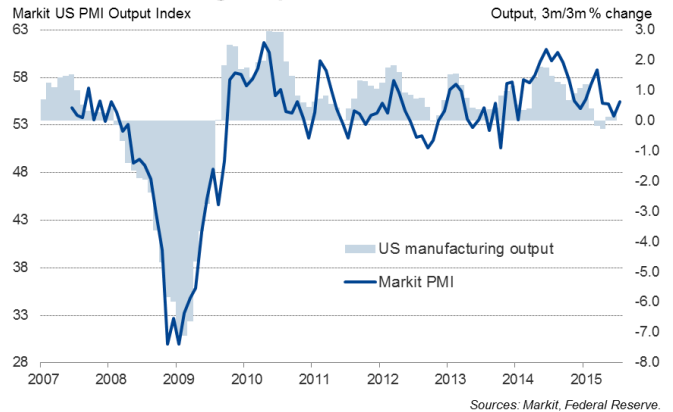
Although export orders showed the first rise since February, the increase was only very modest, blamed by companies on the appreciation of the dollar and sluggish global demand.

Disappointing order book growth has taken its toll on companies' expansion plans. Not only did July see the smallest increase in input buying since the start of last year, hiring has also been hit, with headcounts rising at the slowest rate for three months.

Weak demand, as well as reduced import costs due to the strong dollar, meanwhile also continued to help drive down inflationary pressures. Average input prices rose only modestly and factory gate price inflation remained subdued, down to the weakest recorded for three months.

The survey data therefore suggest there's little to worry policymakers from an inflation perspective, and that the forward-looking indicators point to the manufacturing sector remaining in a relatively slow-growth phase.

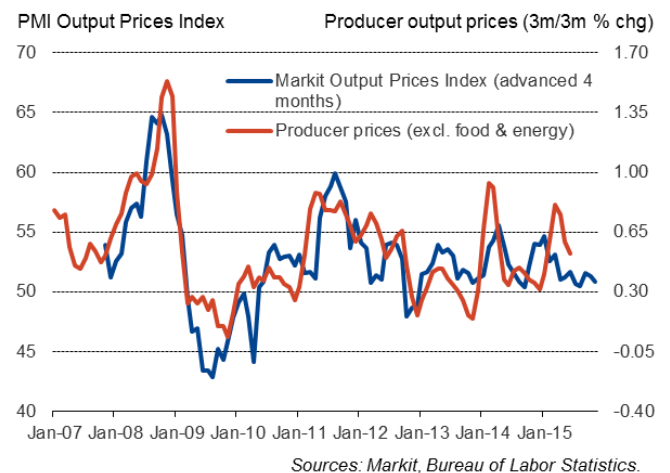
#### US manufacturing output v Markit PMI



#### US manufacturing employment v Markit PMI



#### US producer prices



Flash services PMI data for July are published on 28<sup>th</sup> July.

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