

United States

Flash manufacturing PMI sinks to lowest since September 2009

- **Flash manufacturing PMI at 50.5 in May**
- **Output falls for first time since September 2009**
- **Survey casts doubt on ability of economy to rebound from first quarter weakness**

Disappointing flash manufacturing PMI data cast doubt on the ability of the US economy to rebound from its weak start to the year. The seasonally adjusted Markit Flash US Manufacturing PMI™ sank to 50.5 in May, down from 50.8 in April, its lowest since September 2009.

Producers reported the first, albeit only marginal, reduction in output since September 2009 in May. Uncertainty around the general economic outlook had reportedly caused clients to delay spending decisions, leading to the weakest rise in new orders seen in 2016 so far. New export sales fell for the second month in a row.

Backlogs of work were meanwhile found to have dropped at the joint-fastest rate since the recession, meaning firms will be poised to cut capacity unless inflows of new work start to pick up again.

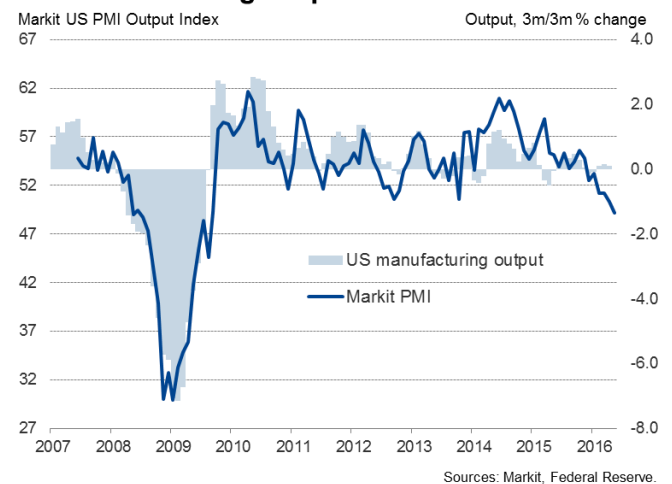
The survey's employment gauge is in fact already running at a level consistent with a further reduction in the official measure of factory payroll numbers.

Overall input prices rose for the second month running, but the uplift was largely due to higher commodity prices, notably oil. Core price pressures look to have been once again subdued by weak demand.

Manufacturing firms continued to adopt relatively cautious inventory policies in the face of an uncertain business outlook and disappointing orders, with stocks of inputs declining for the sixth month running.

The survey is therefore signalling that manufacturing will act as a drag on economic growth in the second quarter, leaving the economy once again dependent on the service sector, and consumers in particular, to sustain growth. Flash services data for May are published by Markit on May 25th.

US manufacturing output v Markit PMI



US manufacturing employment v Markit PMI



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