

United States

Weak flash June manufacturing PMI rounds off worst quarter since 2009

- Flash manufacturing PMI ticks higher in June but remains close to six-and-a-half year low
- Exports grow at fastest rate for almost two years
- Job creation remains subdued

The flash PMI for June brought welcome news of improved performance of US manufacturing, but the sector still looks to have acted as a drag on the economy in the second quarter, leaving the economy reliant on the service sector and consumers in particular to drive growth.

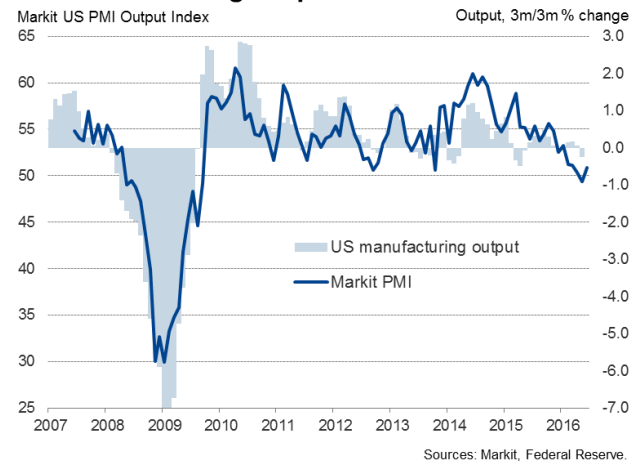
At 51.4, up from 50.7 in May, the seasonally adjusted **Markit Flash US Manufacturing Purchasing Managers' Index™ (PMI™)**¹ signalled the fastest improvement in operating conditions for three months, but remained at one of the lowest levels seen over the past six-and-a-half years.

The average PMI reading for the three months to June is the lowest seen since the third quarter of 2009. Historical comparisons with official data suggest that the PMI's Output Index is consistent with manufacturing production falling by around 0.5% in the second quarter.

Any improvement in June could be largely traced to better export sales, in turn linked to the weakening of the dollar compared to earlier in the year. New orders from abroad expanded at the fastest pace for almost two years. Domestic demand was again worryingly weak, however, especially from business customers, meaning overall growth of order books remained subdued.

The survey has seen manufacturing struggling in the face of reduced capital spending in the energy sector, sluggish global economic growth as well as rising political worries. Delayed decision making and greater risk aversion among clients again prompted manufacturers to pare-back production growth compared to last year and tighten up inventory controls in order to cut costs.

US manufacturing output v Markit PMI



US manufacturing employment v Markit PMI



There was better news on employment, with hiring picking up further from April's near three-year low. However factories are clearly remaining cost conscious and keeping workforces lean in order to seek productivity gains. The survey data are broadly consistent with a stagnation of official manufacturing payroll data in June; an improvement on the declines seen in prior months.

Despite the upturns in some of the latest PMI sub-indices, the three months to June has seen the worst quarter for manufacturing in terms of both production and employment growth since 2009.

Markit's flash services PMI for June will be updated on Monday 27th June.

¹ Please note that Markit's PMI data, flash and final, are derived from information collected by Markit from a different panel of companies to those that participate in the ISM Report on Business. No information from the ISM survey is used in the production of Markit's PMI.

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