News Release

Embargoed until 0945 EDT (1345 UTC) 1 July 2024

S&P Global US Manufacturing PMI®

New orders rise for second month running in June

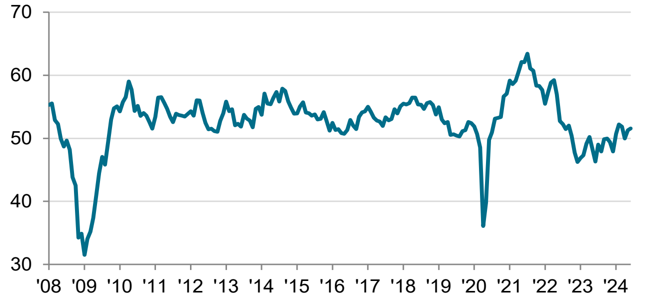
Key findings

Solid expansion in staffing levels

New orders rise, while production growth softens

Weakest increase in selling prices in 2024 so far

US Manufacturing PMI
sa, >50 = growth since previous month



Source: S&P Global PMI.
Data were collected 12-25 June 2024.

The US manufacturing sector remained in growth territory at the end of the second quarter of the year. Although client demand remained muted and business confidence hit a 19-month low, new orders rose for a second month running. In turn, production continued to rise, albeit at a weaker rate. The most positive aspect of the latest survey was the fastest increase in employment since September 2022.

Although input costs continued to rise sharply, the rate of inflation eased in June, while selling prices increased at the slowest pace in the year-to-date.

The seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index™ (PMI®) ticked up to a three-month high of 51.6 in June from 51.3 in May. The index signaled a modest monthly improvement in business conditions.

Some signs of demand picking up helped firms to secure a rise in new orders for the second month running, with the rate of growth quickening. The pace of expansion remained only slight, however, amid high prices and challenging economic conditions.

Meanwhile, new export orders were broadly unchanged in June, ending a four-month sequence of growth. While Canada and Germany were among the locations to provide increases in new business, some firms indicated lower new orders from mainland China.

US manufacturers expanded production in response to higher new orders, but the relatively muted demand environment meant that the rate of growth eased from that seen in May.

While the rate of increase in output slowed in June, companies were also less optimistic regarding the 12-month outlook for production. Sentiment dropped to the lowest since November 2022. That said, firms remained confident that output will expand, in some cases reflecting expectations of a pick-up in new orders from current muted levels.

Comment

Chris Williamson, Chief Business Economist at S&P Global Market Intelligence, said:

"The S&P Global PMI survey shows US manufacturers struggling to achieve strong production growth in June, hamstrung by weak demand from domestic and export markets alike. Although the PMI has now been in positive territory in five of the first six months of 2024, up from just one positive month in 2023, growth momentum remains frustratingly weak.

"Factories have been hit over the past two years by demand switching post-pandemic from goods to services, while at the same time household and business spending power has been diminished by higher prices and concerns over higher-for-longer interest rates. These headwinds persisted into June, accompanied by heightened uncertainty about the economic outlook as the presidential election draws closer. Business confidence has consequently fallen to the lowest for 19 months, suggesting the manufacturing sector is bracing itself for further tough times in the coming months."

Expectations of an increase in new orders, plus higher current output requirements, encouraged firms to take on extra staff. Employment rose for the sixth month running, and at a solid pace that was the fastest in 21 months.

Higher staffing levels helped firms to keep on top of workloads and reduce backlogs again in June. That said, the pace of depletion was only fractional. In some cases, firms mentioned that supply-chain delays had prevented them from working through more outstanding business.

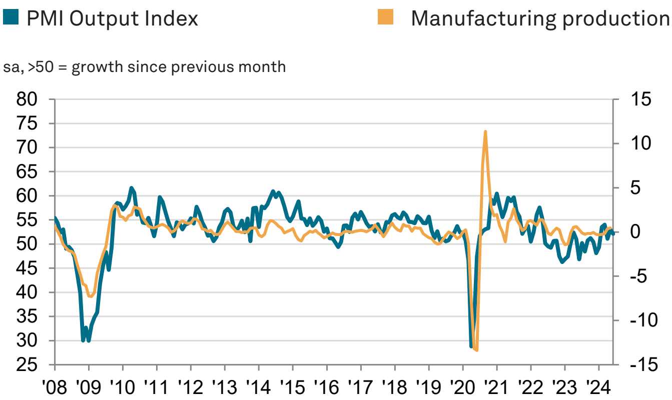
Suppliers' delivery times lengthened for the first time in five months amid issues with shipping, port congestion and staff shortages at vendors. That said, the lengthening of lead times was only marginal.

Higher supplier charges were signaled in June. Alongside rising labor costs, this resulted in a further marked increase in input prices. That said, the rate of inflation eased to a three-month low.

The pace of output price inflation also slowed, the third month running in which this has been the case. Where charges were raised, this reflected the passing on of higher input costs to clients. On the other hand, some firms lowered selling prices as part of efforts to remain competitive.

US manufacturers lowered their purchasing activity following a rise in the previous month, as part of general efforts to limit stock holdings. As a result, pre-production inventories also fell, albeit only fractionally. Some firms indicated that their inventories had been reduced to an extent whereby it had become time to start replenishing them.

Meanwhile, stocks of finished goods decreased for the first time in three months, and to the largest extent since last November.



Sources: S&P Global PMI, US Federal Reserve via S&P Global Market Intelligence.

Contact

Chris Williamson
Chief Business Economist
S&P Global Market Intelligence
T: +44-20-7260-2329
chris.williamson@spglobal.com

Andrew Harker
Economics Director
S&P Global Market Intelligence
T: +44-1491-461-016
andrew.harker@spglobal.com

Katherine Smith
Corporate Communications
S&P Global Market Intelligence
T: +1 (781) 301-9311
katherine.smith@spglobal.com

Survey methodology

The S&P Global US Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 800 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in April 2004.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@spglobal.com.