News Release

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S&P Global US Manufacturing PMI®

New orders decrease for first time in three months

Key findings

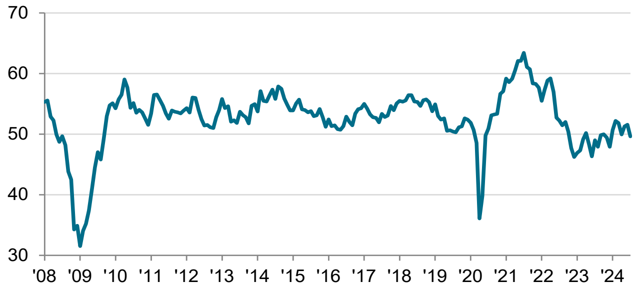
Solid fall in new orders

Output and employment rise, but at softer rates

Selling price inflation at one-year low

US Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.
Data were collected 11-26 July 2024.

The start of the third quarter saw a deterioration in business conditions at US manufacturers as new orders declined for the first time in three months. Work on outstanding business and a near-record replenishment of stocks of finished goods helped to keep output rising, although the pace of expansion was only marginal. Employment also rose at a slower pace.

Output prices increased only marginally and at the slowest pace for a year, despite a further marked increase in input costs.

The seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index™ (PMI®) fell to 49.6 in July from 51.6 in June, below the 50.0 no-change mark for the first time in seven months and signaling a slight deterioration in the health of the manufacturing sector.

Central to the worsening of overall business conditions was a first reduction in new orders for three months. New business decreased solidly, and at the fastest pace in 2024 so far. Firms reported a general slowdown in market demand, with clients often reluctant to commit to new projects at the current time. New export orders also decreased, albeit to a lesser extent than total new business. A number of respondents highlighted demand weakness in Canada.

Manufacturing production continued to rise in July, although the drop in new orders meant that the rate of expansion eased to a marginal pace that was the slowest in the current six-month sequence of growth.

Continued increases in production at a time of falling new orders meant that firms were able to work through outstanding business again in July. The rate of depletion in backlogs of work was solid and the fastest in three months.

Rises in output also contributed to an increase in stocks of finished goods as some firms looked to build inventories in anticipation of future demand improvements. That said, the drop in sales was also a factor behind rising stock levels. In

Comment

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

"The manufacturing recovery moved into reverse in July, though the gloomier growth picture was accompanied by a marked cooling of inflation in the goods-producing sector.

"Business conditions worsened in July as the first fall in new orders since April caused a near-stalling of production. Purchasing activity is falling and hiring has slowed amid concerns over weaker-than-anticipated sales.

"Many firms are expecting the weakness to be temporary, linked to paused spending and investment ahead of the Presidential Election. However, firms' expectations for output in one year's time remain subdued by historical standards, reflecting additional concerns over the impact of higher interest rates and persistent inflation. While orders for investment goods such as plant and machinery fell especially sharply in July, underscoring the recent pull-back in capital spending, producers of consumer goods also reported a modest fall in demand.

"There was better news on the inflation front. Input cost inflation cooled for a second month after having risen to a 13-month high in May. This welcome lowering of cost pressures helped take further heat out of selling price inflation, which moderated sharply in July to the lowest for a year to signal only a marginal increase in prices during the month. This near-abeyance of producer price inflation should feed through to lower consumer price inflation in the coming months."

fact, the accumulation of post-production inventories was the strongest since November 2022 and among the fastest since the series began in May 2007.

Confidence in the future path of production also supported job creation in July, while some firms hired staff to replace previously departed workers. Employment increased for the seventh month running, but at the softest pace since January.

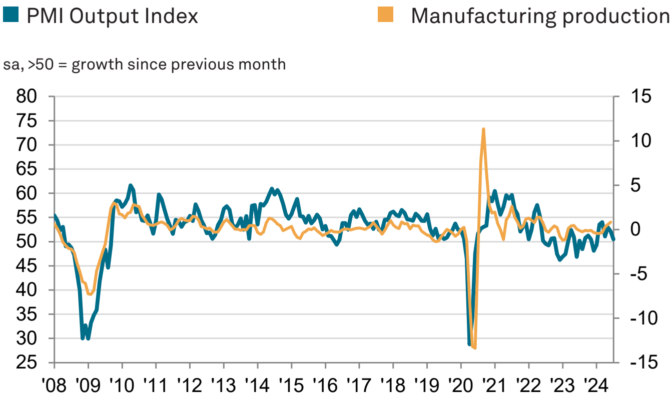
The positive outlook was evident in data on business sentiment, which showed optimism regaining some ground at the start of the third quarter. Hopes that the current soft patch in demand will prove temporary, with new business improving following the Presidential Election, supported confidence in the outlook for production.

Input costs increased markedly in July amid reports of higher prices for energy, freight, labor and raw materials. That said, the rate of inflation eased to a four-month low.

Meanwhile, manufacturers increased their own selling prices at only a marginal pace, with the rate of inflation easing to a one-year low as firms restricted price rises in an attempt to secure sales in a competitive market.

Purchasing activity decreased for the second month running, with firms reluctant to purchase additional inputs given falling new orders and rising prices. The modest drop in purchasing fed through to a further reduction in stocks of inputs, the fifth in as many months.

Reduced demand for inputs led some suppliers to speed up deliveries, but this was cancelled out by shortages of staff and materials, plus shipping delays. Supplier performance was therefore broadly unchanged in July.



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

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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.

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Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. www.spglobal.com/marketintelligence/en/mi/products/pmi