

# News Release

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## S&P Global US Manufacturing PMI<sup>®</sup>

### Production falls for first time in seven months

#### Key findings

Decline in demand leads firms to scale back output

Renewed reduction in employment

Inflationary pressures strengthen

US manufacturing production decreased for the first time in seven months during August as sales continued to fall amid increasing reports of demand weakness. A renewed reduction in employment was also recorded amid spare capacity in the sector.

Demand for inputs was scaled back in response to lower new orders, leading to a first shortening of supplier lead times for three months. The pace of input cost inflation quickened to a 16-month high, however, with output prices also rising at a faster pace.

The seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index™ (PMI<sup>®</sup>) posted 47.9 in August, down from 49.6 in July and below the 50.0 no-change mark for the second consecutive month. The latest reading signaled a modest deterioration in the health of the manufacturing sector, and one that was the most marked in 2024 so far.

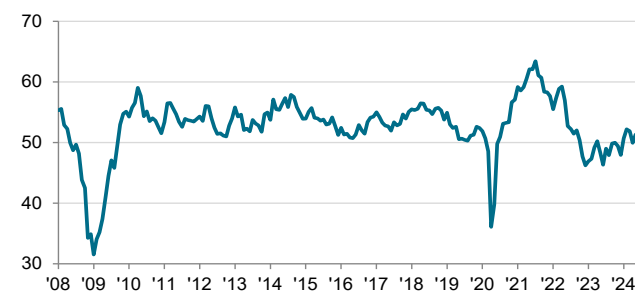
The US manufacturing sector recorded a decline in production, bringing an end to a six-month sequence of growth.

Firms scaled back production in response to falling sales as demand across the sector waned. Indeed, new business decreased for the second month running. The solid reduction in new orders was the most marked since June 2023. In some cases, clients showed a reluctance to commit to new projects given a slowdown in market demand. Inflationary pressures also had a negative impact on new business.

New export orders were down again, falling for the third month running and at a solid pace. Geopolitical issues were partly responsible for the latest reduction in overseas demand, according to respondents.

As was the case with production, manufacturers saw a renewed decline in employment midway through the third quarter. Staffing levels decreased for the first time in 2024 so far, reflecting falling new orders and lower output

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



Source: S&P Global PMI.  
Data were collected 12-27 August 2024.

#### Comment

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

*“A further downward lurch in the PMI points to the manufacturing sector acting as an increased drag on the economy midway through the third quarter. Forward-looking indicators suggest this drag could intensify in the coming months.”*

*“Slower than expected sales are causing warehouses to fill with unsold stock, and a dearth of new orders has prompted factories to cut production for the first time since January. Producers are also reducing payroll numbers for the first time this year and buying fewer inputs amid concerns about excess capacity.”*

*“The combination of falling orders and rising inventory sends the gloomiest forward-indication of production trends seen for one and a half years, and one of the most worrying signals witnessed since the global financial crisis.”*

*“Although falling demand for raw materials has taken pressure off supply chains, rising wages and high shipping rates continue to be widely reported as factors pushing up input costs, which are now rising at the fastest pace since April of last year.”*

PMI<sup>®</sup>

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requirements.

Purchasing activity was also scaled back, with the pace of decline the sharpest in the year-to-date. Firms reported efforts to draw down inventories in response to falling new orders, resulting in a sixth successive monthly drop in stocks of inputs. In part, the reduction in pre-production inventories also reflected efforts to improve cash flow.

Despite a reduction in capacity, manufacturers were again able to work through outstanding business as new orders fell solidly. Backlogs of work were depleted for the twenty-third month running, and at the fastest pace since April.

Reduced demand for inputs, meanwhile, helped lead to a shortening of suppliers' delivery times for the first time in three months. The modest improvement in vendor performance was the most marked since February.

In contrast to the picture for stocks of purchases, inventories of finished goods increased during August, the second month in a row in which this has been the case. Some respondents indicated that they had made use of the spare capacity provided by a reduction in client demand to replenish stocks of finished products, while others noted unintended inventory accumulation.

The rate of input cost inflation quickened to a 16-month high in August and was above the average seen prior to the COVID-19 pandemic. Higher costs for shipping and labor were reported, alongside rising raw material prices. In turn, output prices also increased at a faster pace, albeit one that was still the second-slowest in 2024 so far.

Firms remained confident that output will increase over the coming year, although sentiment eased slightly from July. Sales and marketing efforts were among the factors supporting optimism, while some firms expect demand to return to normal following the presidential election.

**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.

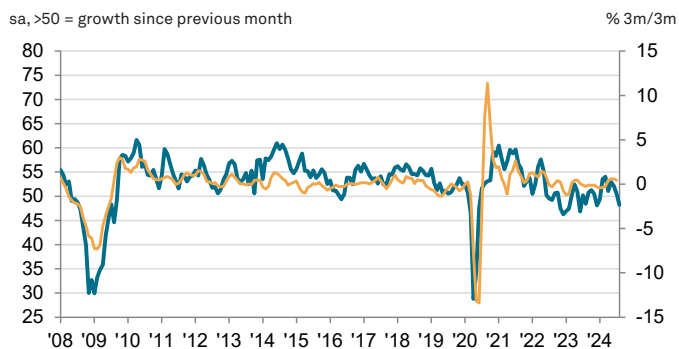
For further information on the PMI survey methodology, please contact [economics@spglobal.com](mailto:economics@spglobal.com).

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■ PMI Output Index      ■ Manufacturing production



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

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