

The U.S. Manufacturing PMI Reading for December 2014



ARTICLE 01.28.15 DEAN DORTON

The U.S. Manufacturing PMI reading for December 2014, released in January, was 53.9, compared to 54.8 in November. A PMI index reading above 50.0 indicates an increase or improvement on the prior month, while readings below 50.0 indicate a decrease. While this latest information indicates a rise in manufacturing output, this reading for the last quarter of 2014 displays the weakest improvement since January 2014.

The main factor contributing to the weak expansion is uncertainty toward the global economy. Several manufacturers noted weak demand from the euro area and emerging markets compared to the relatively strong spending among domestic clients.

Despite the slow growth in the PMI reading, large (over 500 employees) and small (less than 100 employees) companies both continued to show growth in terms of output, new orders, and job creation during the last reading. New work increased throughout the month of December, ending the year with an expansion rate slightly higher than the 10-month low recorded in November. Manufacturing payroll numbers also showed growth for the eighteenth straight month in December.

The sector that showed the greatest improvement was consumer goods, which was closely followed by intermediate goods. The investment goods sector showed the slowest increase in output for all sectors, along with the weakest rise in payroll numbers.

Overall, the December PMI reading is positive for U.S. manufacturers. The growth in output, employment, and new orders will continue to help the U.S. economy rebound from the losses experienced in prior years.

Chris Williamson, Chief Economist at Markit Economics, had this to say about the PMI data:

"The manufacturing sector saw growth of activity lose further momentum at the end of 2014, but that didn't stop factories enjoying their best year since the recession. Even with the slowdown, the manufacturing output is rising at a robust pace. With factories keeping busy, higher production should help the overall economy remain on a firm upward growth trend in the fourth quarter, albeit with growth easing compared to the above-trend rates seen in the second and third quarters."

"The big question of course is whether the pace of expansion will continue to weaken as we move into 2015. Companies are citing greater uncertainty about the outlook, especially in export markets, leading to some scaling back of expansion plans and a greater reluctance for customers to place orders compared to earlier in the year, which suggests a slowdown could become more entrenched unless demand revives."

"In that respect, December saw growth of new orders lift slightly higher, suggesting the environment may already be starting to improve amid lower oil prices and a sustained flow of better than expected economic data in recent months, especially in relation to domestic employment and consumer spending. Even if global demand remains subdued, a buoyant domestic market should therefore help sustain factory growth in coming months."

PMI is a good report for many manufacturers to pay attention to as an economic indicator. We recommend that companies consider comparing their own performance against the PMI to determine if the indicator is helpful in developing expectations for the future. The PMI tracks many variables such as manufacturing output, new orders,

stock levels, employment and prices in an effort to determine the current rate of expansion in the manufacturing, construction, retail and service sectors. The manufacturing PMI is based on monthly surveys of over 600 companies in the United States. It can help your company in understanding the U.S. and global economic environment, which should be considered in strategic planning and growth strategies. Dean Dorton analyzes this index on a monthly basis to ensure we stay current on issues affecting our manufacturing clients. If you would like assistance in creating a monthly reporting dashboard – please do let us know.

For more information on the PMI and to review the most recent figures, please visit the [Markit Economics website](#). A Dean Dorton manufacturing industry team member would be happy to discuss implications for your business. For more information, please contact Lance Mann at lmann@deandorton.com.

[View Lance Mann's Bio](#)