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U.S. Manufacturing Sector Continues to Contract

Economic activity in the manufacturing sector contracted for the 13th consecutive month in November.

For November, the Manufacturing PMI registered 46.7%—unchanged from the prior month. This marks the 13th consecutive month of contraction for the national manufacturing sector, according to the Institute of Supply Management (ISM).

An index of the prevailing direction of economic trends in the manufacturing and service sectors, the PMI consists of a diffusion index that summarizes whether market conditions are expanding, staying the same or contracting as viewed by purchasing managers. The goal of the PMI is to provide information about current and future business conditions to company decision-makers, analysts and investors.

The ISM says that a PMI above 48.7%, over a period of time, generally indicates an expansion of the overall economy. "The Supplier Deliveries Index figure of 46.2 percent is 1.5 percentage points lower than the 47.7 percent recorded in October," ISM said in a press release.

Other key findings from the new report include:

- The Inventories Index increased by 1.5 percentage points to 44.8%; the October reading was 43.3%.
- The New Export Orders Index reading of 46% is 3.4 percentage points lower than October's figure of 49.4%.
- The Imports Index remained in contraction territory, registering 46.2%, 1.7 percentage points lower than the 47.9% reported in October.
- Of the six largest manufacturing sectors, two—food, beverage & tobacco products and transportation equipment—registered growth in November.

The 14 industries that contracted in November (by order from highest to lowest contraction rate) included paper products; printing & related support activities; electrical equipment, appliances & components; computer & electronic products; apparel, leather & allied products; textile mills; machinery; primary metals; furniture & related products; miscellaneous manufacturing; chemical products; fabricated metal products; wood products; and plastics & rubber products.

Straight from the Horse's Mouth

For its monthly PMI reports, ISM solicits feedback from the respondents who participate in the surveys. Sentiment appeared to be mixed as 2023 winds down and as manufacturers start thinking about the year ahead.

"[The] economy appears to be slowing dramatically," said a representative from one computer and electronics manufacturer. "Customer orders are pushing out, and all efforts are being made to right-size inventory levels, both to mitigate carrying costs on pushed-out orders and to load up on inventory where costs are exploding, like cold-rolled steel."

Another respondent working in the transportation equipment sector said that nearly all microchip supply issues have been resolved, finally bringing an end to the three-year chip shortage. “Material prices are remaining relatively flat. Supply chain issues continue in several areas, resulting from difficulties during the United Auto Workers (UAW) strike,” the survey respondent added.

One machinery professional said the end of the major construction season and an early pullback in customer capital expenditures purchases have resulted in a lower backlog in the fourth quarter, while a maker of fabricated metal products also mentioned the impacts of the UAW strike: “Automotive sales [are] still impacted by the UAW strike. [We’re] still waiting for orders to come in, and we also need to work down inventory levels that increased during the strike period. This will most likely happen in December.”