

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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Markit Flash U.S. Manufacturing PMI™

Output rises at fastest pace in over three years

Key points:

- Work on new and existing orders supports growth
- Payrolls continue to increase
- Survey record increase in purchasing activity

Data collected 12 – 21 May 2014.

Operating conditions in the US manufacturing sector continued to improve during May, with strong rises in production and output complemented by further payroll growth.

After accounting for seasonal factors, the **Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**¹ improved to 56.2 in May, up from April's 55.4. Moreover, the latest reading was the strongest recorded by the survey for three months.

Flash U.S. Manufacturing PMI™ Summary

50.0 = no-change on previous month (seasonally adjusted)

Index	May'14	Apr'14	Change signalled
PMI	56.2	55.4	Expansion, faster rate
Output	59.6	58.2	Expansion, faster rate
New Orders	58.2	58.9	Expansion, slower rate
New Export Orders	51.5	51.7	Expansion, slower rate
Employment	53.5	53.7	Expansion, slower rate
Backlogs of Work	55.9	55.2	Expansion, faster rate
Output Prices	50.4	50.9	Rise, slower rate
Input Prices	56.3	53.5	Rise, faster rate
Stocks of Purchases	51.8	48.7	Expansion, change of direction
Stocks of Finished Goods	47.7	49.1	Contraction, faster rate
Quantity of Purchases	59.2	56.7	Expansion, faster rate
Suppliers' Delivery Times	46.8	49.5	Lengthening, faster rate

Source: Markit.

¹ Please note that Markit's PMI data, flash and final, are derived from information collected by Markit from a different panel of companies to those that participate in the ISM Report on Business. No information from the ISM survey is used in the production of Markit's PMI.

Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: Markit.

The latest survey data indicated continued strength in output growth, with US manufacturers recording their best month-on-month increase in **production** since February 2011.

Output has now risen consistently for over four-and-a-half years, and manufacturers attributed the latest production growth to a combination of higher **new orders** and work on **outstanding contracts**.

New business volumes continued to rise at an elevated pace in May, amid reports of greater confidence in the marketplace. The domestic market appeared to be a key source of new order wins, as growth in **new export sales** was sustained but at a relatively modest pace.

The strong increase in total new orders led to pressure on capacity as backlogs of work rose in May at the third strongest rate since data was first available in May 2007.

The trends in backlogs, output and new orders encouraged US manufacturers to add to their payrolls in May. **Employment** rose for the eleventh successive month although the rate of growth eased slightly to the weakest since the start of the

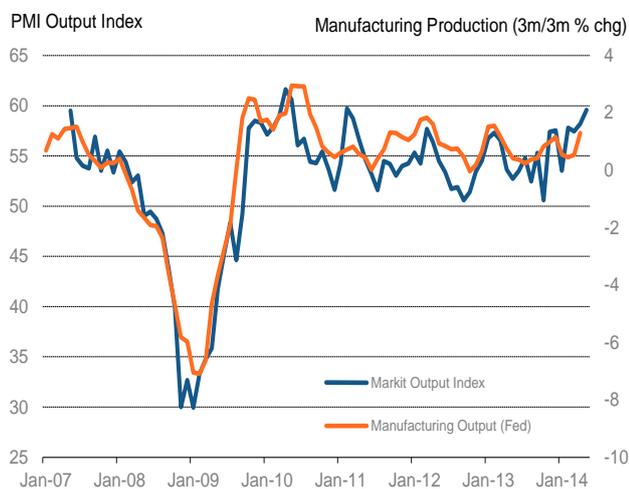
year. Not only were workers recruited to help firms get on top of existing requirements, but also in anticipation of further growth.

Confidence in future business activity also led to a sharp increase in **purchasing activity**. Input buying rose to the greatest degree in over seven years of data availability as manufacturers not only sought to support existing production but also replenish inventory. **Stocks of purchases** rose at the sharpest rate since April 2012.

Amid strong demand for inputs in May, manufacturers signalled another lengthening of **average lead times** for the delivery of ordered items to their factories. The degree to which times lengthened accelerated to the fastest since the weather-related disruptions seen earlier in the year.

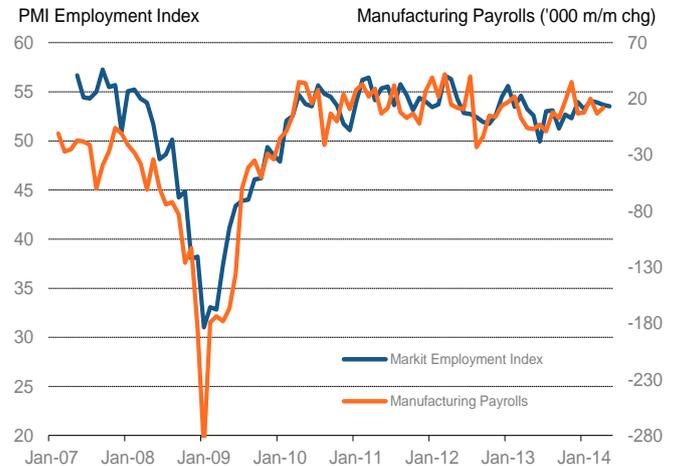
Finally, on the price front, May's data indicated an acceleration of **input cost** inflation to the strongest since January. Manufacturers suggested that the rise in input prices was broad-based, though the majority were unable to pass these higher costs on to their customers. **Output charges** were little moved in May.

Manufacturing output



Sources: Markit, U.S. Federal Reserve.

Manufacturing employment



Sources: Markit, Bureau of Labor Statistics.

Commenting on the flash PMI data, **Paul Smith, Senior Economist at Markit** said:

“The US manufacturing sector continued to gain strength heading into mid-year as supportive demand conditions led to the sharpest month-on-month increase in production for over three years.

“This provides further confirmation that industry will aid a rebound in U.S. GDP in the second quarter, and other indicators from the survey suggest that the sector has plenty of momentum heading into the summer and beyond. Total workloads are up markedly, and manufacturers are gearing up for growth by purchasing inputs at a record rate.

“Capacity constraints are subsequently feeding through to increased hiring with the survey showing payroll numbers rising at a rate consistent of around 15-20 thousand manufacturing jobs being created in May.”

-Ends-

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Note to Editors:

Final May data are published on 2 June 2014.

Markit originally began collecting monthly *Purchasing Managers' Index*[™] (*PMI*[™]) data in the U.S. in April 2004, initially from a panel of manufacturers in the U.S. electronics goods producing sector. In May 2007, Markit's U.S. PMI research was extended out to cover producers of metal goods. In October 2009, Markit's U.S. Manufacturing PMI survey panel was extended further to cover all areas of U.S. manufacturing activity. Back data for Markit's U.S. Manufacturing PMI between May 2007 and September 2009 are an aggregation of data collected from producers of electronic goods and metal goods producers, while data from October 2009 are based on data collected from a panel representing the entire U.S. manufacturing economy. Markit's total U.S. Manufacturing PMI survey panel comprises over 600 companies.

The flash estimate is typically based on approximately 85%–90% of total *PMI* survey responses each month and is designed to provide an accurate advance indication of the final *PMI* data.

The panel is stratified by North American Industrial Classification System (NAICS) group and company size, based on industry contribution to U.S. GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The *Purchasing Managers' Index*[™] (*PMI*[™]) is a composite index based on five of the individual indexes with the following weights: New Orders – 0.3, Output – 0.25, Employment – 0.2, Suppliers' Delivery Times – 0.15, Stocks of Items Purchased – 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@markit.com.

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About PMI

Purchasing Managers' Index[™] (*PMI*[™]) surveys are now available for 32 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. To learn more go to www.markit.com/economics.

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