

News Release

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

Service sector output growth slows amid weather disruptions in February, but new business continues to rise at a robust pace

Key points:

- Weakest services performance for four months
- Growth of new work little-changed since January
- Solid increase in staffing levels
- Bad weather led to a renewed accumulation of unfinished work at service providers in February

Data collected 12 – 21 February.

The headline seasonally adjusted **Markit Flash U.S. Services PMI™ Business Activity Index¹** registered 52.7 in February, down from a four-month high of 56.7 in January. The latest 'flash' PMI reading, which is based on approximately 85% of usual monthly replies, was the lowest since last October. That said, the average index reading for 2014 to date (54.7) is broadly in line with that recorded for 2013 as a whole (54.8).

PMI readings above 50.0 signal an increase or improvement on the prior month, while readings below 50.0 indicate a decrease.

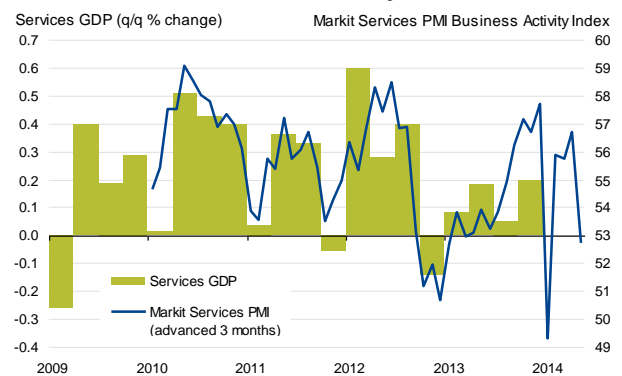
Flash U.S. Services PMI™ Summary

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

Index	Feb'14	Jan'14	Change signalled
Business Activity	52.7	56.7	Expansion, slower rate
New Business	56.2	56.4	Expansion, slower rate
Outstanding Business	52.0	49.3	Expansion, change of direction
Employment	52.0	54.1	Expansion, slower rate
Prices Charged	53.3	54.9	Rise, slower rate
Input Prices	54.6	56.5	Rise, slower rate
Business Expectations*	74.0	80.8	Optimism, lower degree

* not adjusted for seasonality

Service sector business activity



Sources: Markit, Bureau of Economic Analysis.

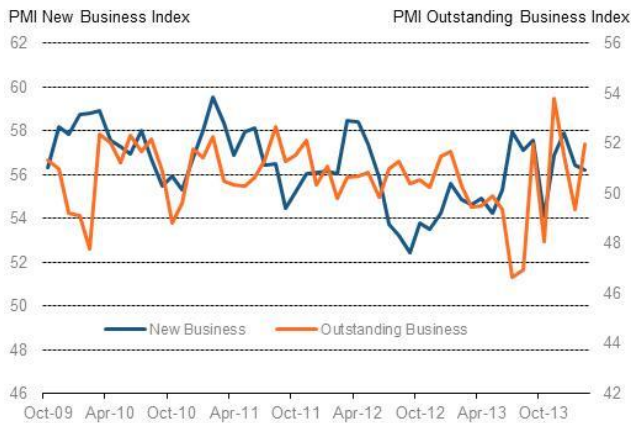
Although the latest data pointed to a slowdown in service sector output growth since January, survey respondents widely cited the negative influence of recent weather-related disruptions. Moreover, a robust increase in **new business** volumes and continued **job hiring** suggested that underlying demand remained resilient. February data meanwhile indicated one of the fastest increases in **backlogs of work** since the survey began in late 2009, which added to the signs that weaker activity growth reflected temporary weather disruptions.

Higher levels of business activity have now been recorded for four consecutive months, though the latest rise was the weakest seen over this period. Survey respondents attributed increasing output to a further robust improvement in client demand, as highlighted by new business volumes again rising at a broadly similar pace to that seen on average in the final quarter of 2013. Weather-related disruptions led to an accumulation of unfinished work in February.

Volumes of work outstanding have now increased in three of the past four months, which in turn supported job hiring during the latest survey period.

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 Non-Manufacturing Report on Business. No information from the ISM survey is used in the production of Markit's PMI.

Services new business

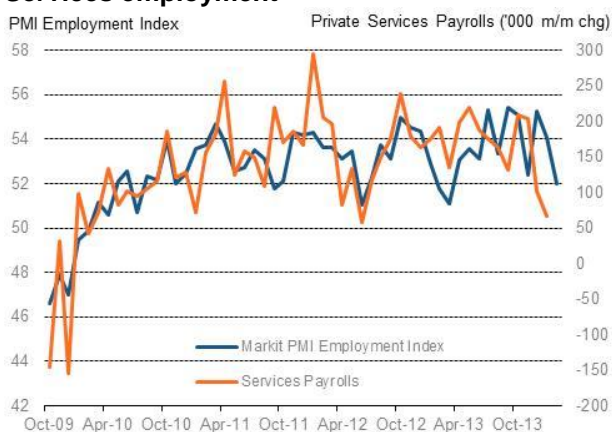


Source: Markit.

February data marked four years of continuous employment growth across the service sector, although the rate of expansion eased slightly to its slowest since March 2013. There was also a moderation in service providers' confidence about the **business outlook**, with optimism easing from January's three-year high.

Nonetheless, more than half of the survey panel (51%) anticipate an increase in business activity over the next 12 months, while only 3% forecast a reduction. Anecdotal evidence cited the launch of new projects, improving confidence about the near-term prospects for the U.S. economy, and signs of a continued upturn in client demand.

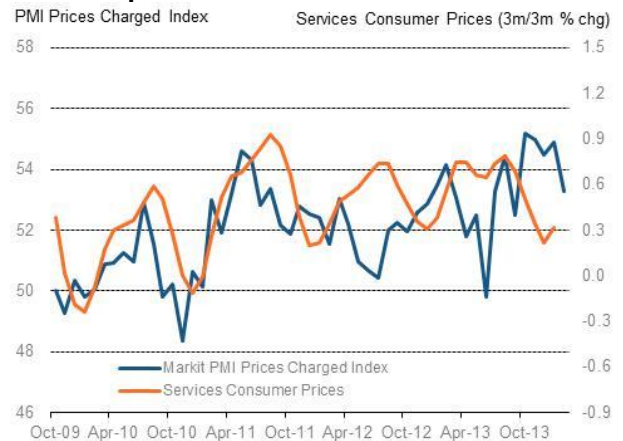
Services employment



Sources: Markit, U.S. Bureau of Labor Statistics.

Meanwhile, **input price inflation** eased for the sixth time in the past seven months during February. The latest overall increase in cost burdens was the weakest since June 2013. Average **prices charged** by service providers also rose in February, but at the slowest rate for five months, with anecdotal evidence generally citing weaker cost pressures.

Services prices



Sources: Markit, Bureau of Labor Statistics.

At 53.5 in February, the **Markit Flash U.S. Composite PMI Output Index**, which is based on original survey data from the Markit U.S. Services PMI and the Markit U.S. Manufacturing PMI, was down from 56.2 in January.

The latest reading pointed to the weakest performance of the **U.S. private sector economy** since October 2013. That said, the index remained well above the 50.0 no-change mark and signalled a solid rate of output growth that was only slightly slower than the average for 2013 as a whole (54.8).

Commenting on the flash PMI data, **Chris Williamson, Chief Economist at Markit** said:

"The unusually severe winter weather undoubtedly looks to have taken its toll on the economy in the first quarter. Over the first two months of the year, the manufacturing and services PMI surveys are signalling an annualised growth rate of just 1.6%, which represents a halving of growth compared to the 3.2% pace seen in the fourth quarter.

"Payroll growth in the vast services economy also weakened alongside the disruptions to business activity, hitting the weakest for almost a year. However, companies clearly remained in expansion mode, with just over half of all firms expecting activity to rise over the coming year against just 3% expecting a decline.

"The ongoing mood of optimism reflects growth of new business remaining reassuringly strong. The resulting rise in backlogs of work should help drive an upturn in activity in March, and suggests that the underlying health of the economy remains sound in the face of the onslaught from the weather."

-Ends-

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Note to Editors:

Final February data are published on 5 March 2014.

The U.S. Services *PMI™* (*Purchasing Managers' Index™*) is produced by Markit and is based on original survey data collected from a representative panel of over 400 companies based in the U.S. service sector. Markit originally began collecting monthly PMI data in the U.S. service sector in October 2009.

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 Markit U.S. Services PMI complements the Markit U.S. Manufacturing PMI and enables the production of the Markit U.S. Composite PMI which tracks business trends across both the manufacturing and service sectors, based on original survey data collected from a representative panel of over 1,000 companies.

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'.

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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