

# News Release

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 0900 EST 5 February 2014**

## Markit U.S. Services PMI™ – final data (with composite PMI™)

### Sharpest rise in U.S. service sector output for four months

- Robust expansion of services business activity....
- ...despite slower rise in new work during January
- Service providers' business expectations hit three-year high

At 56.7 in January, up from 55.7 in December, the seasonally adjusted final **Markit U.S. Services PMI™ Business Activity Index**<sup>1</sup> Business Activity Index posted above the neutral 50.0 value for the third successive month. Moreover, the latest reading indicated a robust pace of output expansion that was the steepest since September 2013. The index was also above the average seen since the series began over four years ago (55.5).

The seasonally adjusted final **Markit U.S. Composite PMI™ Output Index** (covering manufacturing and services) registered 56.2 in January, little-changed from 56.1 in December and above the 50.0 threshold for the third successive month.

#### Final U.S. Services PMI™ Summary

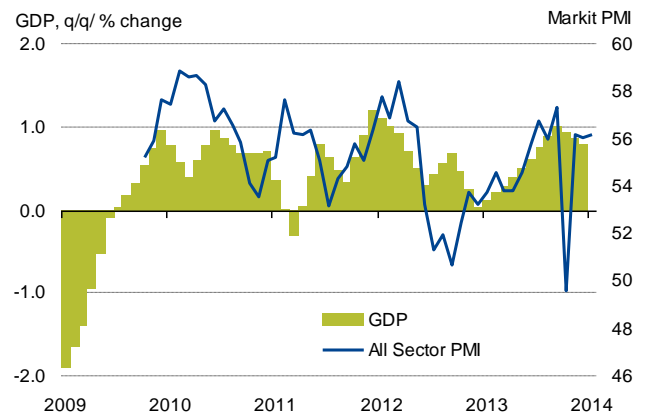
**50.0 = no-change on previous month (seasonally adjusted)**

Index	Jan'14	Dec'13	Change signalled
Business Activity	<b>56.7</b>	55.7	Expansion, faster rate
New Business	<b>56.4</b>	57.9	Expansion, slower rate
Outstanding Business	<b>49.3</b>	51.5	Contraction, change of direction
Employment	<b>54.1</b>	55.2	Expansion, slower rate
Prices Charged	<b>54.9</b>	54.5	Rise, faster rate
Input Prices	<b>56.5</b>	56.0	Rise, faster rate
Business Expectations*	<b>80.8</b>	78.7	Optimism, greater degree

\*not adjusted for seasonality

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

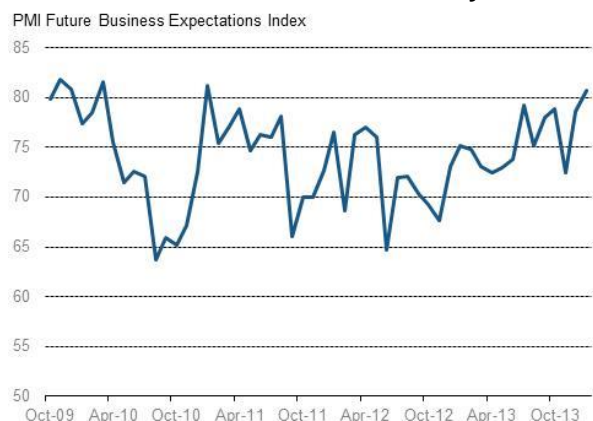
#### Markit U.S. Composite PMI and GDP



Sources: Markit, Bureau of Economic Analysis.

The headline index suggests service sector output continued to expand at a robust pace in January, with the latest increase in overall business activity the fastest for four months. Service providers added to their staffing numbers at the start of the year, which in turn contributed to a reduction in backlogs of work for the first time since October 2013. Looking ahead, service providers report the most optimistic expectations for business activity for three years.

#### Service firms' future business activity



Source: Markit.

<sup>1</sup> 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 Manufacturing and Non-Manufacturing Report on Business. No information from the ISM survey is used in the production of Markit's PMI.

Higher levels of services business activity reflected a further strong rise in new work. That said, the pace of new business growth eased slightly from the five-month high registered in December. Companies that reported an increase in new work generally cited improved conditions in the wider economy and an associated upturn in clients' willingness-to-spend.

January data pointed to a solid expansion of staffing levels within the service economy. Anecdotal evidence attributed rising employment numbers to increased levels of new work and improving confidence about the business outlook. Moreover, the latest survey indicated that service providers are the most optimistic about the 12-month business outlook since January 2011. Meanwhile, a solid rate of job creation in the service economy resulted in a slight reduction in work-in-hand (but not yet completed) at the start of the year.

On the inflation front, service providers' average cost burdens continued to increase at a robust pace in January. The latest rise in input prices was the fastest for three months. Pressures on margins from greater cost burdens contributed to an increase in output charges for the seventh successive month in January.

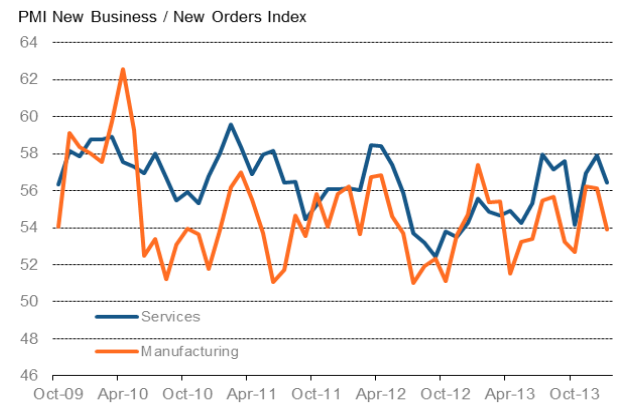
Commenting on the PMI data, **Chris Williamson, Chief Economist at Markit** said:

*"Markit's PMI surveys indicate that US business enjoyed a strong start to 2014. Despite disruptions caused by record low temperatures in parts of the country, business activity rose strongly again in both manufacturing and services. The full picture from the two surveys is one of growth weakening only very marginally in January despite the big freeze, setting the scene for another quarter of at least 3% growth."*

*"The pace of hiring ticked down slightly, but remains resilient as firms report the brightest business outlook for three years. The January survey is signalled service sector payroll growth of around 180,000 on top of a 10,000 rise in manufacturing. We'd therefore expected to see monthly non-farm payroll growth revert back to around 200,000."*

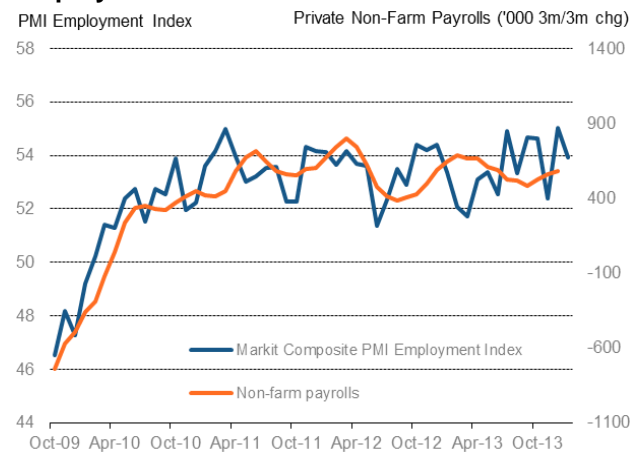
-Ends-

### New business



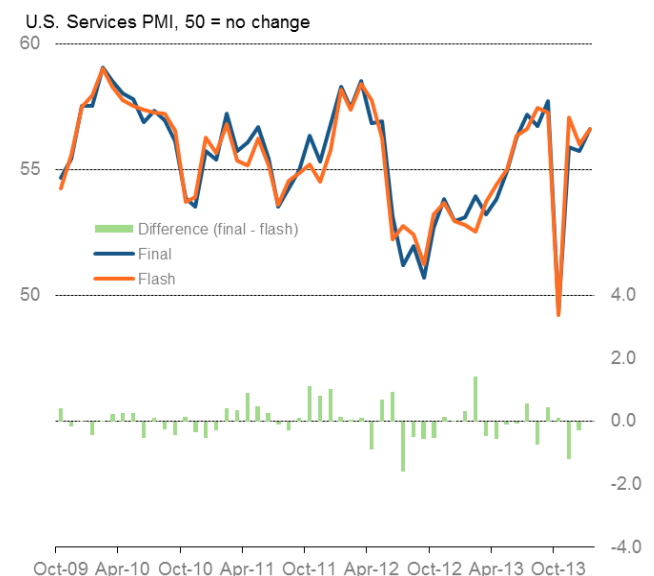
Source: Markit.

### Employment



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

### Markit Final U.S. PMI v. Flash PMI history



Source: Markit.

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### Note to Editors:

The U.S. Services *PMI*<sup>™</sup> (*Purchasing Managers' Index*<sup>™</sup>) 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 final U.S. Services *PMI* follows on from the flash estimate which 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 percentage of positive responses plus a half of the percentage 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](mailto:economics@markit.com).

#### About Markit

Markit is a leading, global financial information services company with over 3,000 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information, see <http://www.markit.com/en/>.

#### About PMI

Purchasing Managers' Index<sup>™</sup> (PMI<sup>™</sup>) 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](http://www.markit.com/economics).

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