

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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Markit U.S. Services PMI™ – final data (with composite PMI™)

Service sector activity growth accelerates to survey-record high

Key points:

- Strongest rise in business activity since the survey began in October 2009
- New business growth and job creation also hit survey-record highs
- Input cost inflation accelerates to fastest for five months

The performance of the U.S. service sector picked up again in June, with output, new business and employment all rising at the fastest rates since the survey began almost five years ago. Survey respondents suggested that business activity was buoyed by improving underlying economic conditions and greater confidence among clients, as well as a catch-up effect following weather-related disruptions to workloads in the first quarter of 2014.

Adjusted for seasonal influences, the final **Markit U.S. Services Business Activity Index** registered 61.0 in June (61.2 flash), up from 58.1 in May. The index has now picked up in three of the past four months, with the latest reading signalling the strongest rate of output growth since the survey began in October 2009. Moreover, the average reading during the second quarter of the year (58.0) was the strongest since Q1 2012.

Final U.S. Services PMI™ Summary

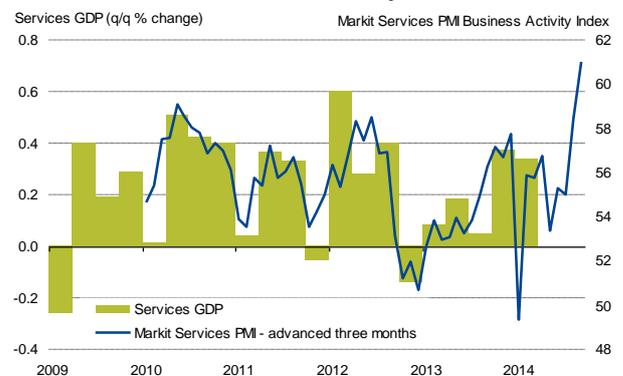
50.0 = no-change on previous month (seasonally adjusted)

Index	Jun '14	May '14	Change signalled
Business Activity	61.0	58.1	Expansion, faster rate
New Business	60.8	58.7	Expansion, faster rate
Outstanding Business	51.0	52.4	Expansion, slower rate
Employment	56.1	52.8	Expansion, faster rate
Prices Charged	52.6	54.6	Rise, slower rate
Input Prices	56.5	56.3	Rise, faster rate
Business Expectations*	76.3	79.3	Optimism, weaker degree

*not adjusted for seasonality

At 61.0 in June (61.1 flash), up from 58.4 in May, the seasonally adjusted final **Markit U.S. Composite PMI™ Output Index** (covering manufacturing and services) rose for the second month running. The latest index reading signalled the fastest pace of expansion since this series began in late 2009 (exceeding the previous post-recession high seen in February 2010). June data pointed to stronger rises in both manufacturing output and service sector business activity.

Service sector business activity



Sources: Markit, Bureau of Economic Analysis.

A continued rebound in service sector activity during June reflected another acceleration in new business growth from the 18-month low registered in March. Higher levels of client spending in turn led to some pressures on operating capacity, as highlighted by a rise in backlogs of work for the second consecutive month. That said, the latest rise in unfinished work was only moderate and the rate of backlog accumulation slowed since May.

Service sector payroll numbers increased again in June. The rate of job creation accelerated for the second month running and was the fastest since the survey began in October 2009. Companies that added to their staffing levels generally cited the launch of new projects, efforts to boost capacity

and optimism about the outlook for the wider U.S. economy.

June data signalled that service providers remain highly upbeat about their prospects for output growth over the next 12 months, although the degree of positive sentiment slipped to its least marked since February. Survey respondents reporting an optimistic outlook for business activity mostly cited improving economic fundamentals.

Meanwhile, service sector input cost inflation accelerated for the third month running to its fastest since January. However, prices charged inflation was relatively subdued, and slipped to a nine-month low in June.

Comment:

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

“The US economy is enjoying a major growth spurt, entering the second half of the year with very strong momentum.

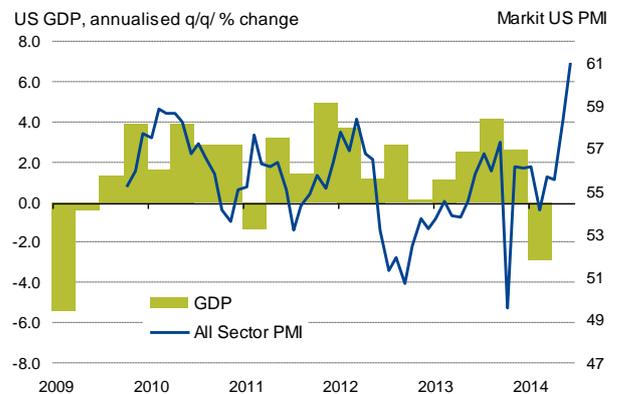
“A further acceleration of growth signalled by the manufacturing and services PMIs in June suggests that the economy may have grown at an annualised rate of perhaps 4% in the second quarter. Some of this growth represents a rebound from the weather-related disruptions of the first quarter, but there is a clearly underlying groundswell of rising demand for both goods and services.

“With inflows of new orders across both manufacturing and services spiking higher in June to the register the largest monthly rise seen this side of the recession, the economy is set up for further strong growth as we move into the second half of 2014.

“Companies reported that business confidence remains high, which is in turn feeding through to increased business investment and hiring. The increased growth of new orders meanwhile suggests hiring intentions will remain strong in the third quarter.”

-Ends-

Markit U.S. Composite PMI™ Output Index



Source: Markit.

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Note to Editors:

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 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.

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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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