

News Release

Purchasing Managers' Index

MARKET SENSITIVE INFORMATION
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Markit Flash U.S. Manufacturing PMI™

PMI falls to lowest level for a year in October

Key points:

- PMI at 12-month low, signalling only modest manufacturing growth
- Output contracts for the first time since September 2009
- New order growth weakest in six months
- Modest rise in employment

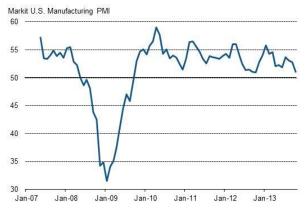
Data collected 11-23 October.

The U.S. manufacturing sector grew at its weakest pace for a year in October, according to the Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)¹, which is based on approximately 85% of usual monthly survey replies. The flash PMI index registered 51.1, down from 52.8 in September, and was consistent with only a modest rate of expansion.

Flash U.S. Manufacturing PMI[™] Summary 50.0 = no-change on previous month (seasonally adjusted)

Index Oct'13 Sep'13 Change signalled РМІ 51.1 52.8 Expansion, slower rate Contraction, change in Output 49.5 55.3 **New Orders** 53.2 51.6 Expansion, slower rate Expansion, change in New Export Orders 50.7 49.0 direction Employment 52.3 51.3 Expansion, faster rate Backlogs of Work 50.5 50.2 Expansion, faster rate **Output Prices** 53.1 51 4 Rise, faster rate Input Prices 57.3 55.7 Rise, faster rate Stocks of Purchases 44.8 47.8 Contraction, faster rate Stocks of Finished Goods 48.0 48.6 Contraction, faster rate Contraction, change in Quantity of Purchases 48.4 51.3 direction Suppliers' Delivery Times 44.9 46.8 Lengthening, faster rate Source: Markit.

Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: Markit.

The principal factor behind the lower headline PMI index was a drop in manufacturing output, which fell for the first time in over four years during October. Although the decline in production was only slight, it was in sharp contrast to the solid increases seen in previous months.

Manufacturing output



Sources: Markit, U.S. Federal Reserve.

A number of manufacturers linked lower levels of output to a weaker trend for new orders. Incoming new work increased modestly in October, but at the slowest rate in six months.

The easing in the rate of total new order growth

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.



generally reflected weaker domestic demand, according to panellists. New export orders increased over the month, but the rise was marginal and followed a similarly sized reduction in September.

Manufacturing new orders



Sources: Markit, U.S. Census Bureau.

Meanwhile, employment in the manufacturing sector increased for the fourth consecutive month in October. A number of firms linked additional hiring to new product developments. Nonetheless, the rate of job creation remained only modest, despite having accelerated slightly since September.

Manufacturing employment



Sources: Markit, Bureau of Labor Statistics.

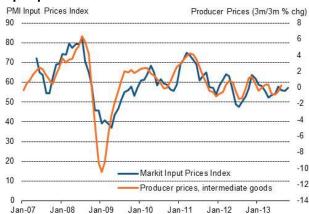
Inflationary pressures picked up in October, with manufacturers reporting higher prices for raw materials, particularly steel, over the month. Overall, the rate of input price inflation was the fastest since July.

Firms increasingly passed on greater costs to clients by raising their factory gate prices. Output charges rose at the strongest pace in eight months as a result.

The quantity of inputs bought by manufacturing companies fell during October. The decline was the

first since December 2010, and occurred alongside a depletion of stocks of purchases. Meanwhile, greater activity at vendors contributed to a further lengthening of suppliers' delivery times. Moreover, the latest deterioration in vendor performance was the greatest for a year-and-a-half.

Input prices



Sources: Markit, Bureau of Labor Statistics.

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

"The flash PMI provides the first insight into how business fared against the backdrop of the government shutdown in October, and suggests that the disruptions and uncertainty caused by the crisis hit companies hard. The survey showed the first fall in manufacturing output since the height of the global financial crisis back in September 2009. We can expect GDP growth to have suffered a setback in the fourth quarter, but it is too early to estimate the extent of the slowdown. It is impossible to disentangle the impact of the shutdown from other factors that might have been at play during the month, so equally impossible to judge the extent to which business might bounce back in November.

"The Fed will be equally unsure of the underlying health of the economy, and will no doubt want to see the economic data stabilise, which could take until the end of the year, before making any firm policy decisions."

-Ends-



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Note to Editors:

Final October data are published on 1 November 2013.

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 indictors 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^{$^{\text{TM}}$} (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.

About Markit

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About PMIs

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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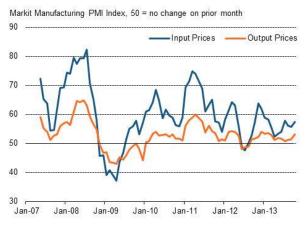


Output and orders:inventory ratio

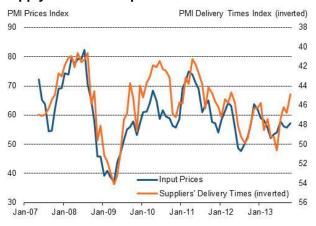




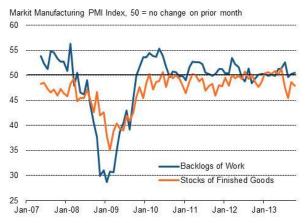
Prices



Supply chain developments



Backlogs of work and warehouse inventories



Purchasing and input inventories

