

News Release

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

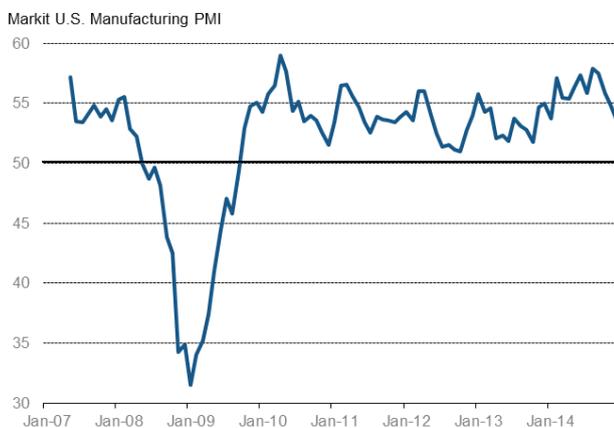
U.S. manufacturing output growth slows again in December

Key points:

- Production levels rise at the weakest pace since January
- Slowest increase in manufacturing payroll numbers for five months
- Input cost inflation hits 20-month low amid falling prices for oil-related products

Data collected 4 – 15 December 2014.

Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: Markit.

U.S. manufacturing output and new orders continued to rise at a solid pace in December, but both rates of expansion eased to the weakest for 11 months. The latest survey also highlighted a moderation in job creation and input buying growth across the manufacturing sector. Meanwhile, goods producers benefitted from a slowdown in cost inflation to its lowest since April 2013, reflecting falling commodity prices and oil-related costs.

Adjusted for seasonal influences, the **Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**¹ registered 53.7 in December, down

from 54.8 in November and the lowest reading for 11 months. Nonetheless, the index was comfortably above the neutral 50.0 value and remained higher than the long-run series average (52.1).

A weaker improvement in overall business conditions partly reflected slower **output** growth in December. The latest expansion of production volumes was the least marked since the snow-related slowdown seen during January. Anecdotal evidence from survey respondents suggested that a moderation in new business gains in recent months had contributed to softer output growth at their plants.

Latest data highlighted a solid rise in **new business** received by U.S. manufacturing companies, but the pace of expansion eased fractionally since November and was the least marked for 11 months. Some manufacturers commented that greater uncertainty about the economic outlook had resulted in softer client spending patterns. Nonetheless, **export sales** rebounded in the manufacturing sector, as highlighted by a moderate increase in new orders received from abroad during December.

Manufacturing **payroll numbers** increased for the eighteenth consecutive month in December. However, the latest survey indicated that the rate of employment growth eased to its lowest since July. Reports from survey respondents suggested that slower new business growth and reduced pressures on operating capacity had weighed on staff hiring.

Weaker output and new business growth contributed to the slowest increase in **input buying** since January. Meanwhile, **stocks of purchases** rose at a reduced rate in December and **post-production inventories** were pared back for the first time since June.

Meanwhile, manufacturing **input cost inflation** moderated for the third month running and was the lowest since April 2013. Survey respondents noted that decreased commodity prices and oil-related costs had resulted in weaker overall input cost pressures. **Factory gate price inflation** also slowed in December, with the latest increase in

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.

output charges the weakest for seven months.

Comment:

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

“Softer output and employment numbers merely represent a cooling in the pace of expansion from unusually strong rates earlier in the year, but also send a warning light to policymakers that the fourth quarter is likely to see a weakening in the pace of economic growth, which is starting to hit hiring.

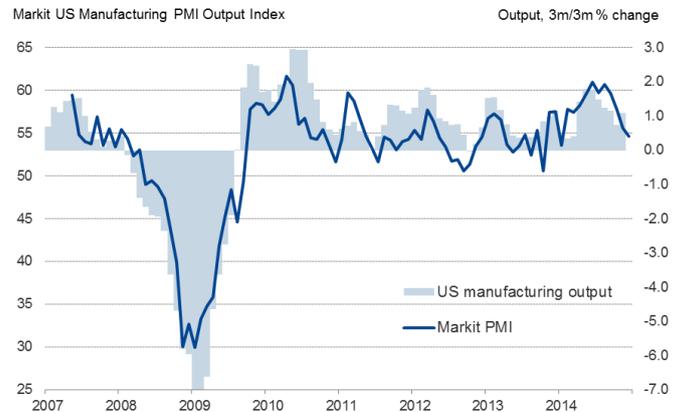
“We expect this weakening to become evident in the official data early in the new year, meaning rate setters will continue to err on the side of caution in terms of when the economy may be ready for higher interest rates, especially as the survey data also highlight a further drop in inflationary pressures.

“Growth of factory output and new orders has slowed well below the surging rates of expansion seen mid-year. Exports remain a key area of weakness, although demand from domestic customers is also growing much more slowly than earlier in the year.

“Firms’ approach to hiring has turned more conservative as a result, with payrolls showing the smallest monthly gain since July, contrasting with the buoyant job creation seen in prior months. Increasing numbers of firms are also running down inventory levels and cutting back on raw material purchases in preparation of lower production and weaker demand in coming months.”

-Ends-

Manufacturing output



Sources: Markit, U.S. Federal Reserve.

Manufacturing employment



Sources: Markit, Bureau of Labor Statistics.

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Note to Editors:

Final December data are published on 2 January 2015.

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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