News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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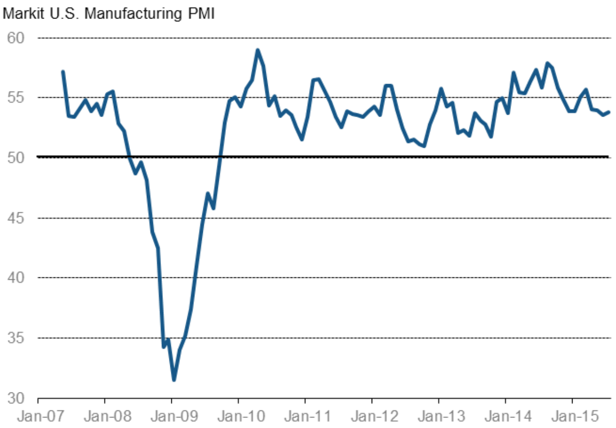
Markit U.S. Manufacturing PMI™ – final data

Manufacturers signal a rebound in output and new business growth during July

Key points:

- Sharpest rise in production volumes for three months
- Incoming new work increases at fastest pace since March
- Job creation moderates across the manufacturing sector in July

Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: Markit.

Summary

July's survey data highlights that the U.S. manufacturing recovery stepped up a gear at the start of the third quarter, largely driven by the fastest rise in overall new business volumes since March. However, there were signs that manufacturers remained cautious regarding the business outlook, as purchasing activity expanded at the slowest pace for 18 months and job creation eased to a three-month low in July. Meanwhile, input cost inflation remained subdued and factory gate charges increased only marginally during the latest survey period.

At 53.8 in July, the final seasonally adjusted **Markit U.S. Manufacturing *Purchasing Managers' Index™ (PMI™)*** picked up slightly from the 20-month low seen in June (53.6). The latest reading was above the 50.0 no-change mark and higher than the long-run series average (52.2), thereby indicating a solid improvement in overall business conditions.

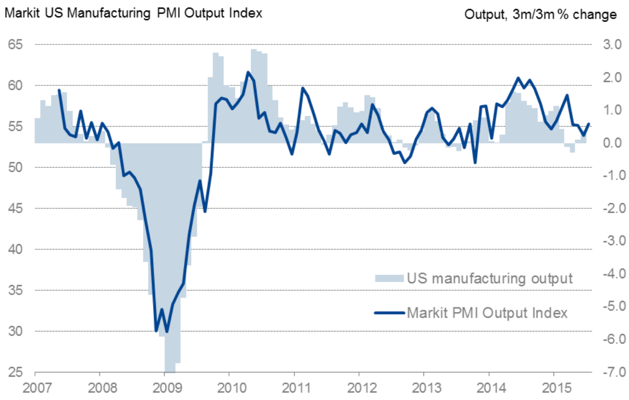
Stronger rates of output and new business growth were the main factors boosting the headline PMI reading in July. Production volumes expanded at the sharpest pace for three months, with survey respondents generally citing improved domestic demand conditions. Moreover, manufacturers commented on continued investments in new products and efforts to boost operating capacity, while some suggested that reshoring strategies had also provided a tailwind to growth at their plants.

Measured overall, new business levels expanded at a strong pace that was the fastest recorded for four months. The latest survey also pointed to an increase in new export sales, which contrasted with the declines seen in each of the previous three months. However, the rate of new export order growth was only marginal, with some manufacturers noting that the strong dollar and an improving U.S. economy had encouraged them to focus sales efforts on domestic markets.

July data pointed to a solid increase in payroll numbers, which continued the upward trend seen through much of the past five-and-a-half years. Nonetheless, the pace of manufacturing sector staff hiring eased to its least marked since April. Moreover, manufacturers commented on more cautious inventory policies, which contributed to weaker growth of input buying and the joint-slowest rise in stocks of purchases so far this year.

On the prices front, input cost inflation eased from the seven-month high recorded during June. Moreover, prices charged by manufacturing companies rose only slightly, with the rate of inflation the weakest since April.

Manufacturing output



Sources: Markit, U.S. Federal Reserve.

Manufacturing employment

Sources: Markit, Bureau of Labor Statistics.

Comment

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

"The PMI picked up in July but the sector continues to endure one of the slowest growth phases seen over the past year and a half. Companies reported that the strong dollar once again hurt export competiveness, exacerbating already-weak demand in many countries, especially emerging markets and Asian economies.

"However, the data suggest the manufacturing sector is struggling rather than collapsing against the various headwinds. Relief has also come in the form of lower commodity prices, and low oil prices in particular.

"Low prices have helped to reduce manufacturers' costs and protect margins, while households are also benefitting from low fuel bills in particular. The survey data showed manufacturing growth being led once again by producers of consumer goods in July.

"Policymakers are unlikely to be dissuaded from raising interest rates on the back of the weak manufacturing performance, focusing instead on the steady improvement in the labour market and robust service sector growth which have been signalled at the start of third quarter. However, with other manufacturing PMI surveys showing emerging markets suffering their steepest downturn for two years, worries about the global economy may well deter the Fed from tightening policy this year."

-Ends-

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Note to Editors:

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 **final** U.S. manufacturing PMI follows on from the **flash** estimate which is released a week earlier and 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*™ (*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 over 30 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.