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News Release

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

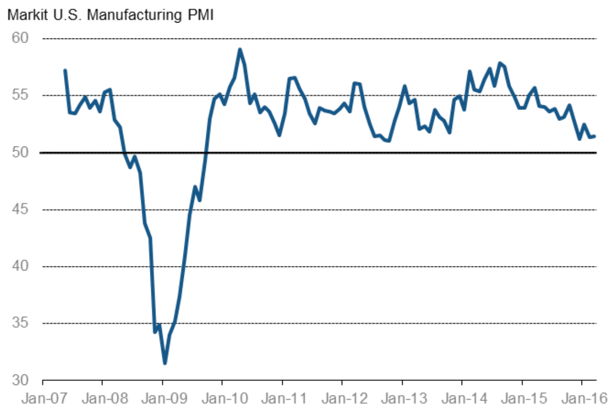
Subdued pace of manufacturing growth persists in March

Key points:

- U.S. Manufacturing PMI remains only slightly above the 50.0 no-change mark
- Output and new business volumes rose at a slightly faster rate than in February
- Factory gate charges decrease for the second month running

Data collected 11 – 21 March 2016.

Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: Markit.

March data indicated subdued growth momentum across the U.S. manufacturing sector, thereby continuing the trend seen throughout 2016 to date. At 51.4, the seasonally adjusted **Markit Flash U.S. Manufacturing *Purchasing Managers' Index*™ (*PMI*™)**[1] was up fractionally from 51.3 in February, but still well below the post-crisis average (54.1).

Moreover, looking at the average PMI reading for Q1 as a whole (51.7), the headline index pointed to the weakest improvement over any quarter since Q3 2012.

Slightly stronger rates of output, new business and employment growth helped to support the headline index in March, while a key factor weighing on the headline index was the sharpest decline in pre-production inventories since January 2014.

Although manufacturing **production growth** picked up from the 28-month low recorded in February, the latest rise was only marginal and one of the weakest seen over the past two-and-a-half years. Anecdotal evidence from survey respondents suggested that relatively subdued demand conditions and, in some cases, efforts to streamline post-production stocks, had acted as a headwind to output growth in March.

New business volumes continued to increase across the manufacturing sector, but the latest expansion was only slightly faster than in February and still weaker than the post-crisis trend. Survey respondents noted that lower capital spending across the energy sector and subdued export demand had weighed on overall new order growth. Reflecting this, latest data indicated that **new work from abroad** was unchanged in March, following a marginal decline during the previous month.

Despite ongoing weak new business and output growth, the latest survey highlighted a modest rebound in manufacturing **job creation** from February's five-month low. Companies reporting a rise in payroll numbers mainly cited long-run expansion plans and efforts to lower their backlogs of work.

Manufacturers signalled a further reduction in their inventory volumes in March. The latest fall in **stocks of finished goods** was the fastest since November 2015, while **pre-production inventories** declined at the steepest pace for over two years. At the same time, **input buying** rose at only a modest

[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.

  compiled by markit

pace and **supplier performance** was reported to have deteriorated slightly.

On the prices front, the latest survey indicated that manufacturers' **average cost burdens** dropped for the seventh month running. However, the rate of decline was only fractional and the slowest over this period. Reduced operating costs and strong competition for new work in turn resulted in price discounting across the manufacturing sector during March. Although marginal, this was only the second instance of falling **output charges** recorded by the survey over the past three-and-a-half years.

Comment:

Commenting on the flash PMI data, **Chris Williamson, chief economist at Markit** said:

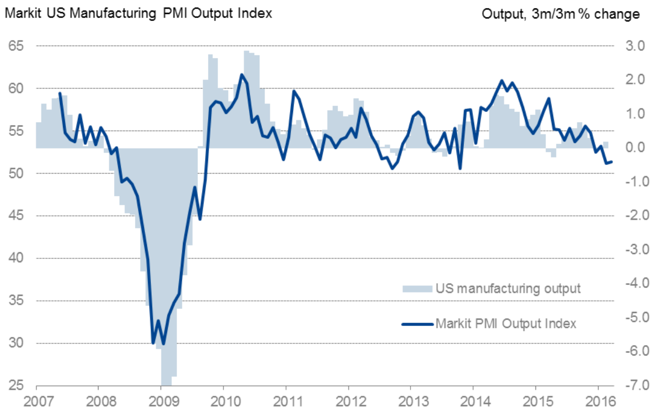
"US factories continue to endure their worst spell for three and a half years. Headwinds include reduced spending by the struggling energy sector, the strength of the dollar, persistent weak global demand and growing uncertainty caused by the looming presidential election.

"While some comfort might be drawn from the marginal rise in the PMI compared to February, the rate of growth remains worryingly weak and the lack of a stronger rebound is a disappointment, given that many companies reported bad weather to have hit activity in the first two months of the year.

"The persistent weakness seen in March therefore ends a disappointing quarter for manufacturing. When viewed alongside the similar downturn seen in the sister services PMI in February, the survey data are pointing to very modest GDP growth in the first quarter. Hopes are therefore pinned on a rise in Thursday's services flash PMI for March to reassure that the economy is not completely stalling."

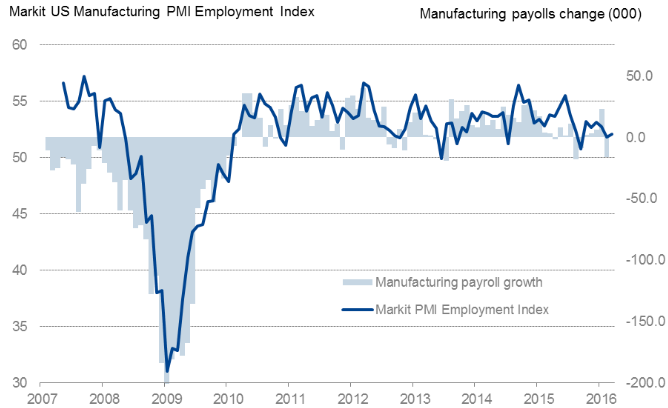
Ends-

Manufacturing output



Sources: Markit, U.S. Federal Reserve.

Manufacturing employment



Sources: Markit, Bureau of Labor Statistics.

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Note to Editors:

Final March data are published on 1 April 2016.

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*™ (*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.