

News Release

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

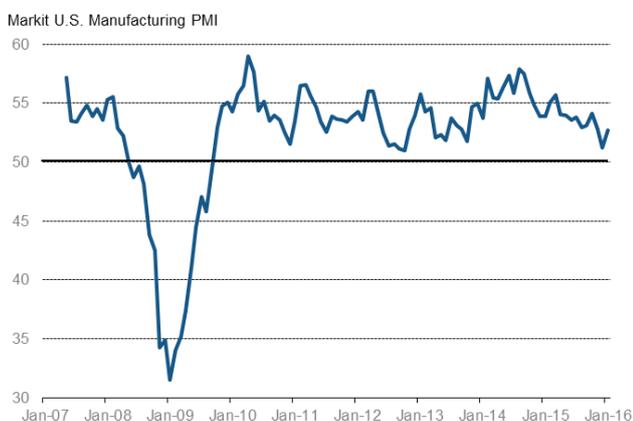
Manufacturing PMI rebounds in January, led by fastest rise in new orders for three months

Key points:

- U.S. manufacturing PMI picks up from December's 38-month low
- Output and new business volumes increase at faster rates in January
- Job creation eases to a four-month low and manufacturers cut inventories at the start of 2016

Data collected 12 – 21 January 2016.

Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: Markit.

U.S. manufacturers started the year with a rebound in output and new business growth from the lows seen during December. As a result, the headline seasonally adjusted **Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**¹ picked up to 52.7 in January, from December's 38-month low of 51.2. The headline PMI signalled a moderate improvement in overall business conditions, but the latest reading was the

second-lowest since October 2013 and weaker than the post-crisis trend (54.2). A moderation in manufacturing jobs growth to its lowest for four months was the main factor acting as a drag on the headline index at the start of 2016.

January data signalled a solid upturn in **production volumes**, with the rate of growth accelerating for the first time since last October. Moreover, the pace of expansion was comfortably above the 26-month low recorded in December. Survey respondents mainly commented on higher output levels in response to positive new business trends and expectations of improving domestic demand over the months ahead.

Volumes of **new work** strengthened in January, after coming close to stagnation at the end of 2015. The latest increase in new orders was the fastest for three months. However, new **export sales** continued to rise at only a marginal pace, which manufacturers generally linked to the strong dollar. Companies that reported an overall upturn in new work mostly cited improving domestic economic conditions. The main exception to the wider trend was among manufacturers facing cutbacks in new orders from clients in the oil and gas sector.

The rebound in total new business growth during January contributed to a stabilisation in **backlogs of work** and an upturn in **input buying** across the goods-producing sector. However, manufacturers remained cautious about their inventory volumes at the start of 2016, with both finished goods and pre-production stocks falling slightly over the month.

Meanwhile, manufacturers indicated a slight slowdown in **job creation** across the sector in January. The latest rise in payroll numbers was the weakest since September 2015. Anecdotal

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.

evidence suggested that softer overall employment growth reflected a wait-and-see approach to staff recruitment at the start of the year and, in some cases, the need to focus on efforts to reduce costs.

January data signalled a slight reduction in manufacturers' **average cost burdens**, which extended the current period of decline to five months. Survey respondents widely commented on lower commodity prices, especially oil and metals. At the same time, **factory gate price inflation** remained only marginal and below the long-run survey average. Manufacturers noted that competitive pressures and lower input prices had resulted in subdued output charge inflation at the start of 2016.

Comment:

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

“The US manufacturing sector found a new lease of life at the start of the year, with growth of factory output and orders both picking up after the slowdown seen late last year.

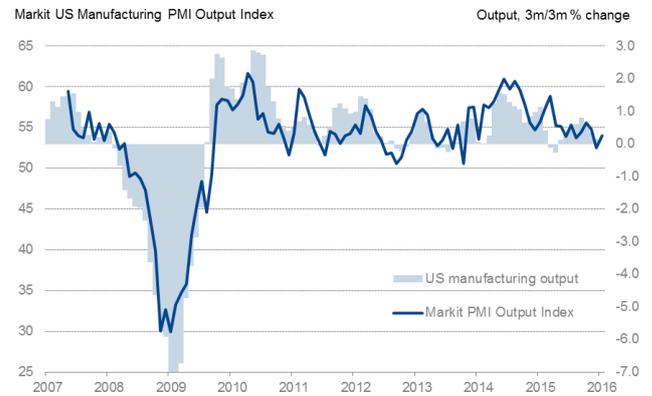
“Producers appear to have shrugged off worries about China, helped by export orders showing signs of reviving. It looks like weak demand from China is being offset by improved demand for US-produced goods in other markets.

“The employment trend also remained reasonably buoyant, especially given the extent to which stock markets were spooked over the data collection period, suggesting that manufacturers have held their nerve in terms of hiring.

“It’s clearly too early to declare that recent slowdown fears are overplayed, but the sector’s resilience in the face of recent financial market volatility is an encouraging omen for growth and employment in the wider economy, especially as sectors such as transport and business services typically move in the same cycle as manufacturing.”

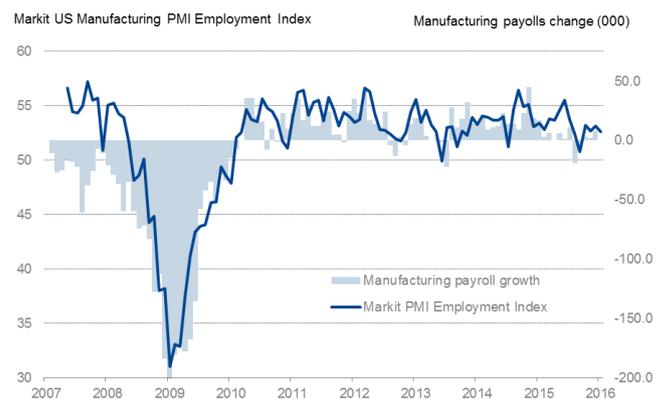
-Ends-

Manufacturing output



Sources: Markit, U.S. Federal Reserve.

Manufacturing employment



Sources: Markit, Bureau of Labor Statistics.

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Note to Editors:

Final January data are published on 1 February 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 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 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.

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