News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0945 EDT June 23rd 2015

Markit Flash U.S. Manufacturing PMI™

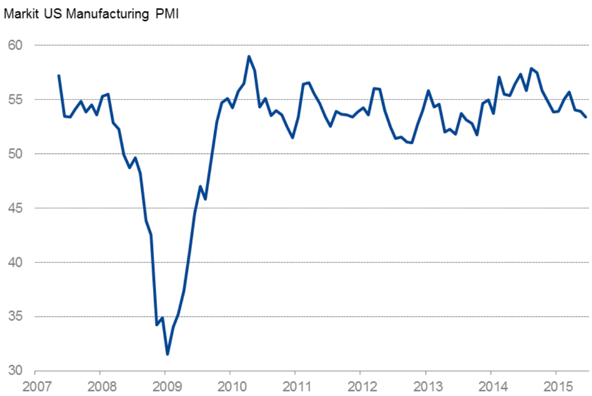
U.S. manufacturing PMI drops to its lowest since October 2013

Key points:

- June data points to weakest improvement in business conditions for over a year-and-a-half
- Output growth slows for the third month running
- Strong dollar continues to weigh on manufacturing performance in June…
- …but overall new orders and payroll numbers expand at slightly faster rates than in May

Data collected 12 – 22 June 2015.

Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: Markit.

Adjusted for seasonal influences, the **Markit Flash U.S. Manufacturing *Purchasing Managers' Index*™ (*PMI*™)**[1] registered 53.4 in June, down from 54.0 in May and the lowest reading since October 2013. The PMI was still above the neutral 50.0 threshold, but slightly below its average since the recovery began in late-2009 (54.3).

Softer output growth was a principal factor behind the decline in the headline index during June. In contrast, new business growth picked up slightly from May's 16-month low and job creation accelerated to its strongest since November 2014.

The latest expansion of production volumes was the weakest recorded by the survey since January 2014. Some manufacturers cited greater efforts to fulfil orders from inventories in June, as highlighted by the first reduction in stocks of finished goods since December 2014. Moreover, there were reports that softer output growth reflected a degree of caution about the business outlook, as well as concerns about the impact of the strong dollar on competitiveness. Although new orders from abroad stabilized in June, this followed declines in export sales during each of the previous two months.

Meanwhile, overall volumes of new work expanded at a solid pace in June, but the latest upturn was still the second-slowest since January 2014. Improving U.S. economic conditions were cited as a factor supporting new business gains in June. However, some manufacturers noted that sharp declines in investment spending within the energy sector had weighed on new order volumes.

Higher overall levels of new work contributed to rising volumes of unfinished business in June, but the rate of backlog accumulation remained only marginal. A number of firms suggested that additional staff hiring had helped reduce pressure on operating capacity at their plants. Job creation has now accelerated in three of the past four months, with the latest upturn in manufacturing payroll numbers the fastest since November 2014.

Despite a moderation in production growth, input buying increased at a robust and accelerated pace during June. Meanwhile, the latest survey indicated that suppliers' delivery times improved for the first time in two years. This was widely linked to an alleviation of transportation bottlenecks related to the west coast port strikes earlier in 2015.

Average cost burdens increased for the second month running in June, which contrasted with falling input prices earlier in the year. However, the rate of cost inflation was only modest and well below the long-run survey average. Meanwhile, factory gate

[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.

price inflation remained marginal and eased slightly since May. Survey respondents suggested that higher input costs had only contributed to gradual rises in their average prices charged in recent months, in part reflecting strong competition for new work.

Comment:

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

"Manufacturers reported a disappointing end to the second quarter, with factory output growing at the slowest rate for a year-and-a-half.

"While the survey data points to the economy rebounding in the second quarter, the weak PMI number for June raises the possibility that we are seeing a loss of momentum heading into the third quarter.

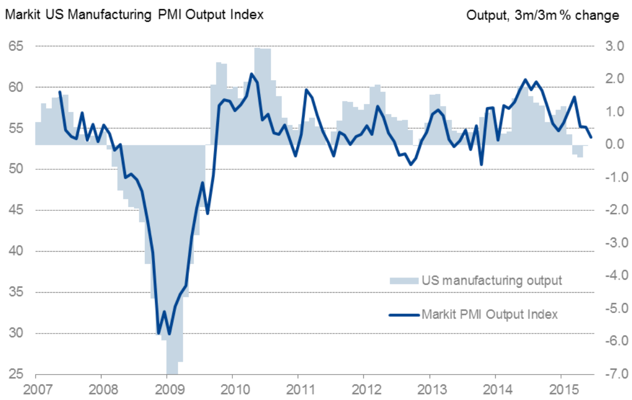
"The slowdown is being led by deteriorating export performance, which many producers in turn linked to a loss of competitiveness caused by the stronger dollar. Although stabilizing in June after declining in April and May, export orders have not shown any growth since February.

"Employment continued to rise, accelerating to show one of the strongest monthly gains since the recession, but the labour market tends to lag changes in order books. Firms are therefore likely to start cutting back on hiring unless demand revives in coming months.

"The survey results will add to further worries about the damaging impact of the strong dollar, and encourage the Fed to be cautious in terms of the timing the first interest rate hike. While a September rise still looks likely, given the ongoing strength of the service sector, any further deterioration in the data are likely to push the first hike into next year. Flash services PMI data for June are published on the 25th June."

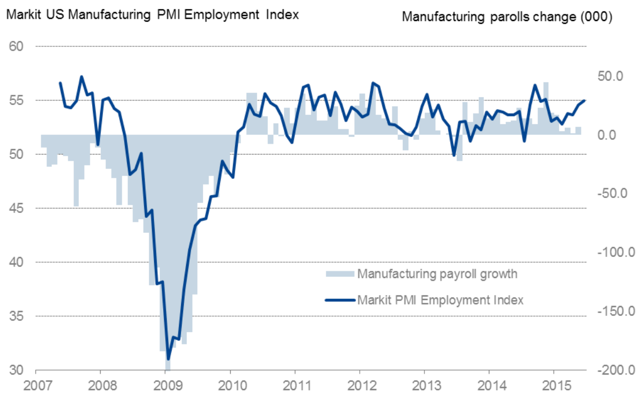
-Ends-

Manufacturing output



Sources: Markit, U.S. Federal Reserve.

Manufacturing employment



Sources: Markit, Bureau of Labor Statistics.

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Note to Editors:

Final June data are published on 1 July 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 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.