

## News Release

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 0945 EST 18 December 2014**

### Markit Flash U.S. Services PMI™

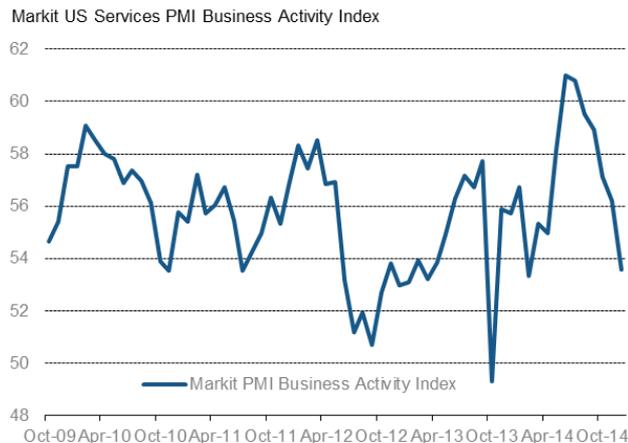
#### U.S. service sector output growth hits 10-month low in December

##### Key points:

- Weakest rise in service sector business activity since February
- Job creation moderates to eight-month low
- Service sector cost inflation eases to its least marked since March 2013

Data collected 4 – 17 December.

##### Service sector business activity (seasonally adjusted)



Sources: Markit

At 53.6 in December, down from 56.2 in November, the seasonally adjusted **Markit Flash U.S. Services PMI™ Business Activity Index<sup>1</sup>** – which is based on approximately 85% of usual monthly replies – registered above the neutral 50.0 threshold for the fourteenth month running. However, the latest reading pointed to the weakest rate of service sector output growth since the weather-related slowdown in February.

In line with softer output momentum, the latest survey highlighted a further moderation in new business growth from June's post-crisis peak. Moreover, the rise in incoming new work in

December was the weakest for nine months. Some survey respondents noted that concerns about the economic outlook had weighted on client demand at the end of the year.

Weaker new business gains contributed to a moderation in pressures on operating capacity across the U.S. service sector. December data indicated only a marginal rise in backlogs of work, with the latest increase the slowest for five months.

Service providers indicated an increase in payroll numbers during the latest survey period, which continued to upward trend seen in each month since March 2010. However, the rate of job creation was only modest and eased to its weakest since April. Some firms noted that softer new business gains had led to more cautious hiring policies at their units. Meanwhile, the latest survey indicated that service providers' confidence towards the year-ahead business outlook moderated from the five-month high seen in November.

Input price inflation slowed for the fourth month running in December. The latest increase in average cost burdens was only marginal and the least marked since March 2010. Anecdotal evidence highlighted that falling oil-related prices had partly offset upward pressure on costs from increased staff wages. Meanwhile, prices charged by service providers increased only slightly, and at the slowest pace for five months.

##### Markit Flash U.S. Composite PMI™

The seasonally adjusted **Markit Flash U.S. Composite PMI Output Index** registered 53.8 in December, down from 56.1 in November and the lowest reading since October 2013. Softer overall private sector output growth reflected weaker contributions from both the manufacturing and service sectors in December.

The composite index is based on original survey data from the Markit U.S. Services PMI and the Markit U.S. Manufacturing PMI.

<sup>1</sup> 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 Non-Manufacturing Report on Business. No information from the ISM survey is used in the production of Markit's PMI.

**Comment:**

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

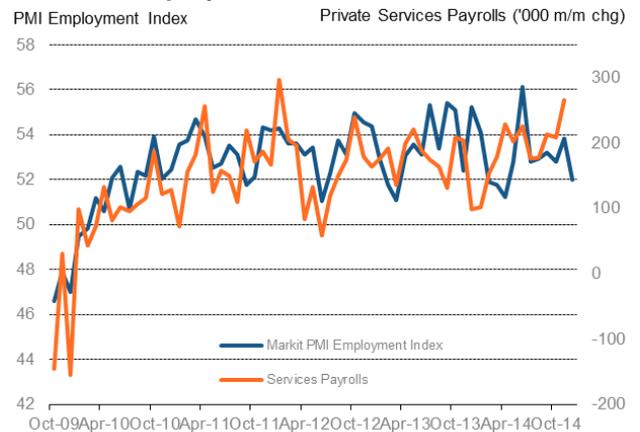
*“A sharp slowing in service sector activity alongside a similar easing in the manufacturing sector takes the overall rate of economic expansion down to the weakest since October 2013. The extent of the slowdown suggests that economic growth in the fourth quarter could come in below 2% which, with the exception of the downturn caused by adverse weather in the first quarter, would be the worst performance for two years.*

*“The slowdown is linked to weaker growth of new business as customers becoming increasingly worried about the economic outlook both at home and abroad, with the prospect of higher interest rates cooling demand alongside side rising global geopolitical concerns. Across both manufacturing and services, new business grew in December at a pace well below the rates of expansion seen earlier in the year.*

*“Job creation has also slowed sharply alongside the cooling of demand, and payroll numbers across both sectors showed the smallest rise for eight months. Another bumper month of non-farm payroll growth looks unlikely in December, with private sector payroll growth unlikely to breach the 200,000 mark.”*

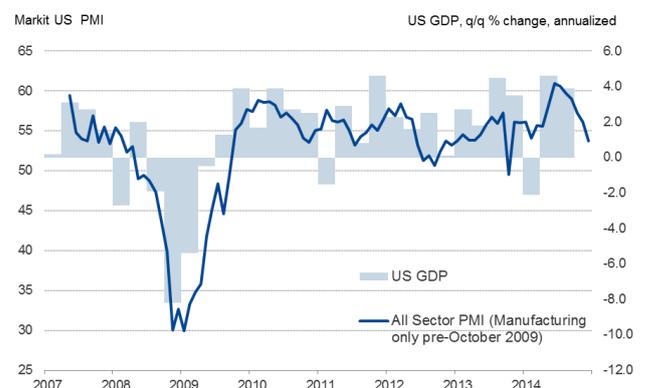
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**Services employment**



Sources: Markit, U.S. Bureau of Labor Statistics.

**Markit Composite PMI and U.S. GDP**



Source: Markit, U.S. Bureau of Economic Analysis.

### For further information, please contact:

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### Note to Editors:

Final December data are published on 6 January 2015.

The U.S. Services *PMI™* (*Purchasing Managers' Index™*) is produced by Markit and is based on original survey data collected from a representative panel of over 400 companies based in the U.S. service sector. Markit originally began collecting monthly PMI data in the U.S. service sector in October 2009.

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 Markit U.S. Services PMI complements the Markit U.S. Manufacturing PMI and enables the production of the Markit U.S. Composite PMI which tracks business trends across both the manufacturing and service sectors, based on original survey data collected from a representative panel of over 1,000 companies.

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'.

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](mailto:economics@markit.com).

#### About Markit

Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ over 3,000 people in 10 countries. Markit shares are listed on NASDAQ under the symbol "MRKT". For more information, please see [www.markit.com](http://www.markit.com)

#### 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](http://www.markit.com/economics).

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