

News Release

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

PMI falls during August, as output growth slows to ten-month low

Key points:

- PMI signals slower, but moderate, rate of manufacturing expansion
- New orders increase at solid pace
- Second month of job creation
- Input price pressures ease

Summary

The final **Markit U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**¹ fell during August, suggesting a slower rate of manufacturing growth. At 53.1, down from 53.7 in July and below the earlier flash estimate of 53.9, the PMI was consistent with a moderate improvement in overall manufacturing business conditions.

Final U.S. Manufacturing PMI™ Summary

50.0 = no-change on previous month (seasonally adjusted)

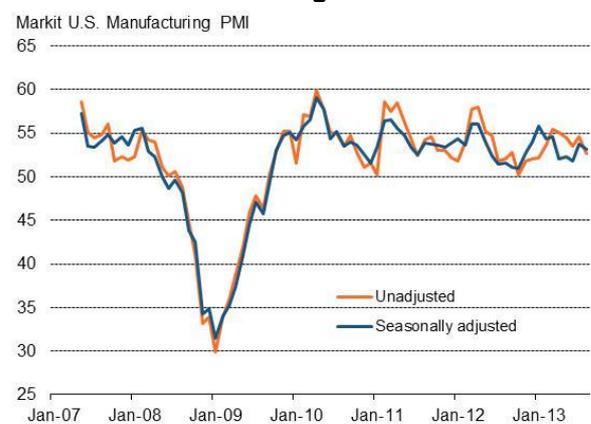
Index	Aug'13	Jul'13	Change signalled
PMI	53.1	53.7	Expansion, slower rate
Output	52.5	54.8	Expansion, slower rate
New Orders	55.7	55.5	Expansion, faster rate
New Export Orders	52.0	52.5	Expansion, slower rate
Employment	53.1	53.0	Expansion, faster rate
Backlogs of Work	49.6	52.6	Contraction, change in direction
Output Prices	51.1	50.8	Rise, faster rate
Input Prices	56.2	57.8	Rise, slower rate
Stocks of Purchases	46.2	48.7	Contraction, faster rate
Stocks of Finished Goods	45.5	47.6	Contraction, faster rate
Quantity of Purchases	53.9	54.4	Expansion, slower rate
Suppliers' Delivery Times	46.2	47.4	Lengthening, faster rate

Source: Markit.

Index readings above 50.0 signal an increase or improvement on the prior month, while readings below 50.0 indicate a decrease.

¹ Please note that Markit's PMI data, final and flash, 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.

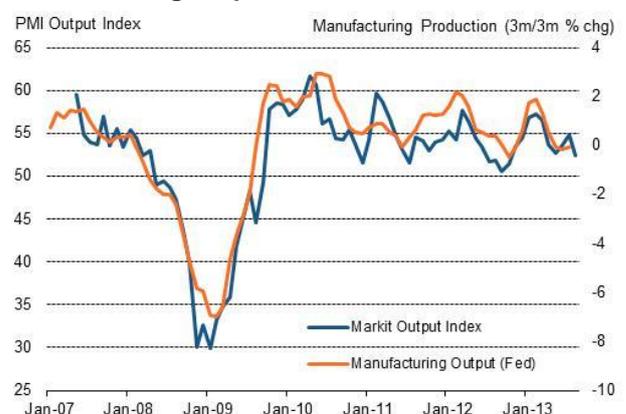
Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: Markit.

A slower rate of output growth was one of the factors behind the weaker improvement in operating conditions. **Production** rose in August, but the rate of growth was the slowest since October 2012. Consumer and intermediate goods producers reported weaker output trends, but makers of investment goods saw a stronger rate of increase.

Manufacturing output



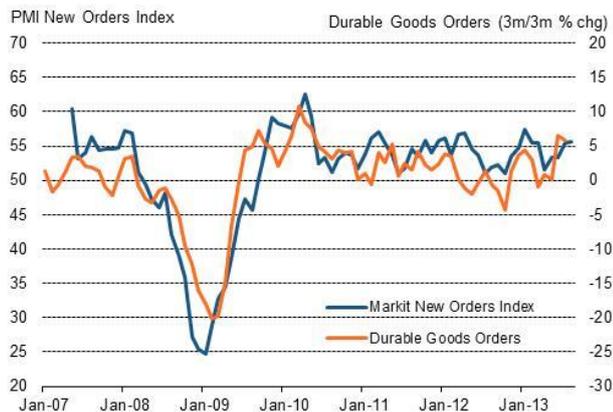
Sources: Markit, U.S. Federal Reserve.

Firms linked the increase in output to larger **new order** volumes. Total new business rose at the fastest rate in seven months, despite being slower than that signalled by flash data.

Both new domestic and export work increased over

the month. Although a stronger rate of growth was suggested for the former, the latest rise in **new export orders** was weaker than that registered one month previously.

Manufacturing new orders



Sources: Markit, U.S. Census Bureau.

Reflective of higher new order volumes, the quantity of **inputs bought** by manufacturers increased in August. Meanwhile, **stocks of purchases** were depleted as firms largely had a preference for leaner inventories. Notably, pre-production stocks fell at the sharpest rate since September 2009. Concurrently, **suppliers' delivery times** lengthened further, and at a faster rate than in July.

Employment in the U.S. manufacturing sector rose for the second consecutive month in August. The rate of job creation was little-changed from July, however. All three market groups saw an increase in staff numbers, with the strongest rise recorded for consumer goods.

Manufacturing employment

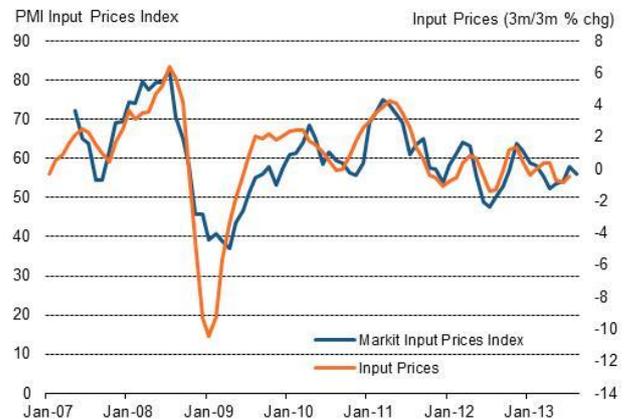


Sources: Markit, Bureau of Labor Statistics.

Input costs rose further in August, with panellists commonly reporting higher prices for raw materials such as oil and steel. That said, the overall rate of inflation eased from July's five-month peak. In contrast, **output charges** increased at a faster,

albeit modest, rate.

Input prices



Sources: Markit, Bureau of Labor Statistics.

Company size analysis*

Large manufacturing firms (more than 500 employees) saw a strong rise in new business during August. That said, output growth eased to a moderate pace over the month.

Production also rose at a moderate rate at small manufacturers (less than 100 employees). The latest increase was stronger than that registered in July.

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

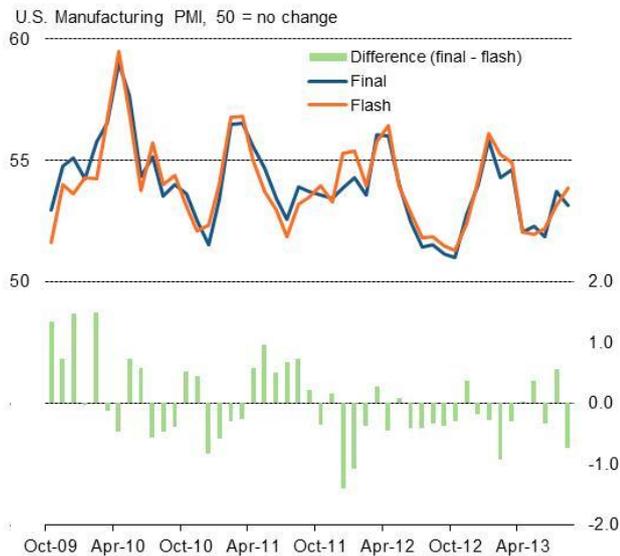
"The downturn in the headline PMI is a disappointment, suggesting that there is a risk that the goods-producing sector is stalling. However, a more encouraging picture emerges if we look at the details. In particular, inflows of new orders – a useful guide to future production – are growing at the fastest rate for seven months. At the same time, inventories of finished goods showed the largest fall since 2009 as some companies reported that demand often exceeded production. Factories will need to ramp up production to replace depleted inventories given this order book growth."

"Exports are rising alongside growing domestic sales, despite weak demand from many emerging markets. Importantly, with the eurozone pulling out of recession and growth picking up in the UK and Japan, exports look likely to continue to act as an important driver of U.S. economic growth in coming months."

"However, despite these encouraging signs, the survey is still consistent with only very modest growth of factory output and hiring, suggesting policymakers will remain nervous about the on-going fragility of the economy."

-Ends-

Markit Final U.S. PMI v. Flash PMI history



Source: Markit.

* Note that company size and sector data are not adjusted for seasonal influences.

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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 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 PMIs

Now available for 32 countries and key regions including the Eurozone, *Purchasing Managers' Index*[™] (*PMI*[™]) surveys have become 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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