

News Release

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

Manufacturing employment growth hits 2½ year high, boosted by further strong rises in output and new orders

Key points:

- Manufacturing PMI at 57.9 in September, unchanged from August's 52-month high
- Fastest rise in payroll numbers since March 2012
- Input cost inflation accelerates to highest seen so far in 2014

Data collected 12 – 22 September 2014.

At 57.9 in September, the seasonally adjusted **Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**¹ remained well above the neutral 50.0 value, to indicate a robust improvement in overall operating conditions across the manufacturing sector. Moreover, the headline Manufacturing PMI index – which is designed to signal changes in prevailing business conditions in the U.S. manufacturing sector – held at the same level as August's 52-month high.

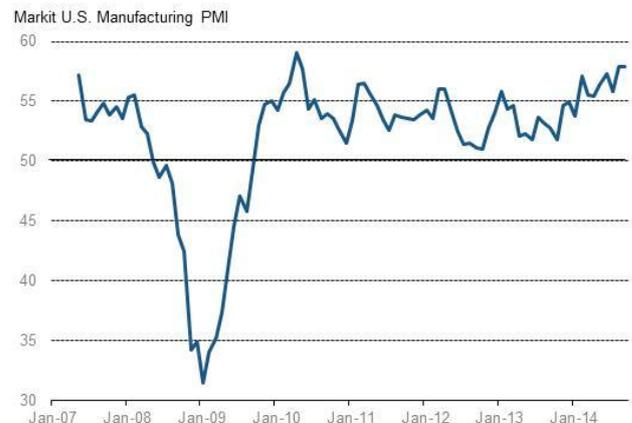
Over the third quarter of 2014, the U.S. Manufacturing PMI averaged 57.2, which is the highest seen in any quarter since the survey began in early 2007. PMI readings above 50.0 signal an improvement in business conditions, while readings below 50.0 signal deterioration.

A continued strong improvement in overall business conditions in September reflected further marked rises in **output** and new business volumes. The latest upturn in production volumes stretched the current period of continuous expansion to five years. September data meanwhile pointed to one of the strongest increases in **new work** since the survey began in May 2007.

Anecdotal evidence suggested that improving domestic economic conditions and confidence towards the business outlook underpinned the latest increase in new business volumes. Moreover, there

was a further boost from increasing **export sales** across the manufacturing sector in September. Although the pace of new export order growth eased slightly since August, the latest expansion was still one of the sharpest recorded over the past three years.

Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: Markit.

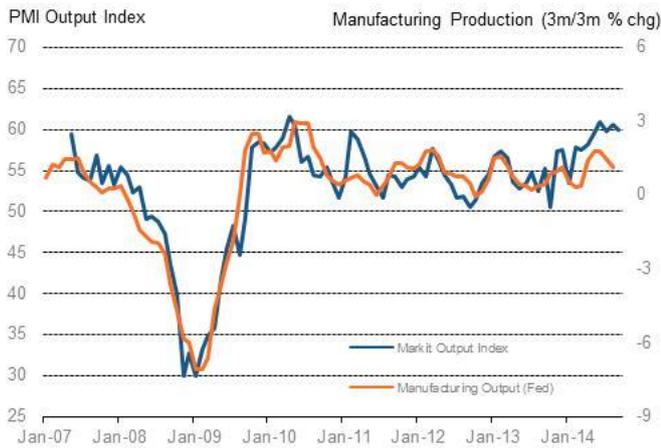
Increased levels of new work from both domestic and export clients contributed to a robust and accelerated pace of **job creation** in September. Payroll numbers rose at the fastest rate since March 2012 (and joint-strongest rise for seven years), with survey respondents citing improving demand conditions and associated efforts to boost capacity.

September data indicated a marked increase in backlogs of work across the manufacturing sector, while firms responded to rising workloads by increasing their purchasing activity at a sharp pace. Robust underlying demand, alongside expectations for rising sales volumes in the months ahead, resulted in deliberate inventory building among some panel members. Input stocks and finished goods inventories both increased in September.

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.

Higher demand for raw materials contributed to longer delivery times from vendors and, in some cases, rising input prices in September. The latest increase in overall cost burdens was the sharpest since December 2013. Factory gate prices increased in September, with the pace of output charge inflation also hitting a nine-month high.

Manufacturing output



Sources: Markit, U.S. Federal Reserve.

Manufacturing employment



Sources: Markit, Bureau of Labor Statistics.

Comment:

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

“The flash PMI signalled another month of impressive growth of the US manufacturing economy. The third quarter as a whole has seen the strongest expansion since the sector began to recover from the financial crisis.”

“The survey suggests the manufacturing sector will have helped drive a further robust expansion of the economy as a whole in the third quarter. We expect GDP to grow at an annualised rate of at least 3% and as much as 4%, depending to a large extent on how the vast services economy fared in September.”

“Reassuringly, job creation has rebounded strongly from the lull seen earlier in the summer and has risen to a rate previously not exceeded in the post-crisis survey history. Companies are clearly optimistic, building capacity and expanding to meet anticipated future sales growth.”

“Policymakers will be comforted to see the economy growing with such strong momentum, though with every upbeat piece of economic data the prospect of an initial hike in interest rate draws closer, especially with the survey signalling an upturn in price pressures.”

-Ends-

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Note to Editors:

Final September data are published on 1 October 2014.

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 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.

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