

News Release

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

Output increases at fastest pace since March 2012

Key points:

- PMI rises to 11-month high, indicating solid improvement in business conditions
- Output supported by strong increase in new orders
- Employment growth quickens to nine-month high
- Input price pressures intensifies

Summary

Business conditions in the U.S. manufacturing sector improved at the fastest rate since January, according to the final December **Markit U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**¹. At 55.0, up from 54.7 in November and above the earlier flash estimate of 54.4, the PMI indicated a solid rate of expansion.

Final U.S. Manufacturing PMI™ Summary

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

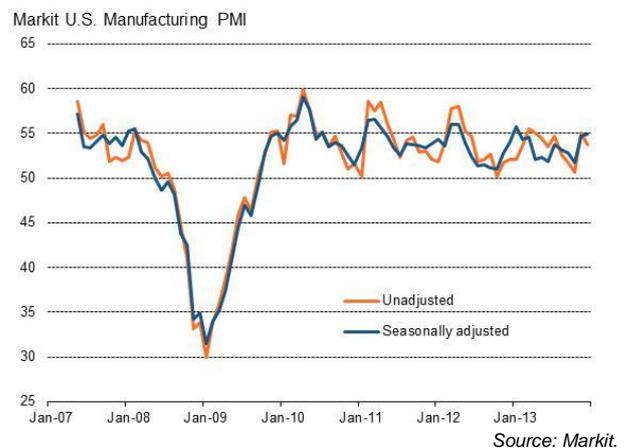
Index	Dec'13	Nov'13	Change signalled
PMI	55.0	54.7	Expansion, faster rate
Output	57.5	57.4	Expansion, faster rate
New Orders	56.1	56.2	Expansion, slower rate
New Export Orders	51.4	51.4	Expansion, rate unchanged
Employment	54.0	52.3	Expansion, faster rate
Backlogs of Work	52.8	52.0	Expansion, faster rate
Output Prices	55.6	54.3	Rise, faster rate
Input Prices	59.0	57.3	Rise, faster rate
Stocks of Purchases	48.5	46.6	Contraction, slower rate
Stocks of Finished Goods	49.5	47.9	Contraction, slower rate
Quantity of Purchases	56.0	54.3	Expansion, faster rate
Suppliers' Delivery Times	45.9	44.5	Lengthening, slower 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)



The PMI averaged 53.8 in the three months to December and, above the average for the three months to September of 53.2, was the highest since the first three months of the year.

Production in the manufacturing sector continued to rise strongly in December. The rate of growth was well above the series average and the fastest since March 2012.

All three market groups (consumer, intermediate and investment) posted higher levels of output in December, with manufacturers of investment goods posting the fastest rate of increase.

Manufacturing output



The increase in output was largely in response to higher new orders, which itself reflected greater client demand. Total new business rose at a strong pace that was little-changed from November's ten-month peak. Moreover, new export orders continued to increase, as has been the case in five out of the past six months.

Although producers of consumer goods reported a strong increase in total new work in December, exports were broadly unchanged for the second month running.

Manufacturing new orders



Sources: Markit, U.S. Census Bureau.

Manufacturing employment in the U.S. continued to increase in December, taking the current sequence of job creation to six months. The rate of growth was solid and the fastest since March. Panellists often commented on an improved business outlook.

Manufacturing employment



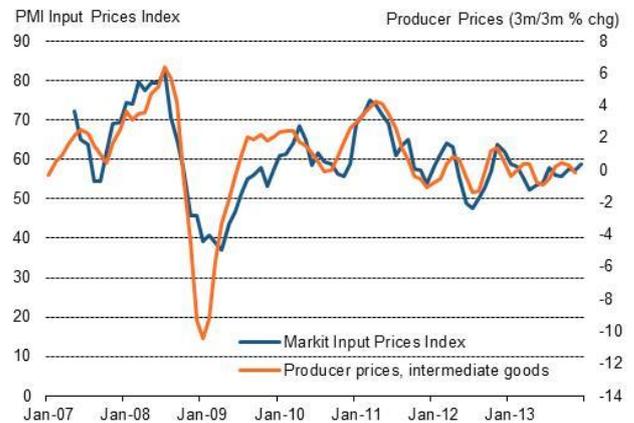
Sources: Markit, Bureau of Labor Statistics.

Meanwhile, input costs faced by manufacturers rose at the fastest pace for almost a year in December. Panellists commonly reported higher raw material prices, particularly for metals and wood.

Larger costs were partially passed on to clients, with firms raising their selling prices for the sixteenth consecutive month. On average, the latest rise in

output charges was the strongest for almost two-and-a-half years.

Input prices



Sources: Markit, Bureau of Labor Statistics.

Company size analysis

Large manufacturers (more than 500 employees) reported a marked rise in output during December. This generally reflected a sharp increase in new business, with the rate of new order growth the joint-fastest since late-2009.

In contrast, new order growth was only modest at small manufacturers (less than 100 employees), with new export work having fallen since November.

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

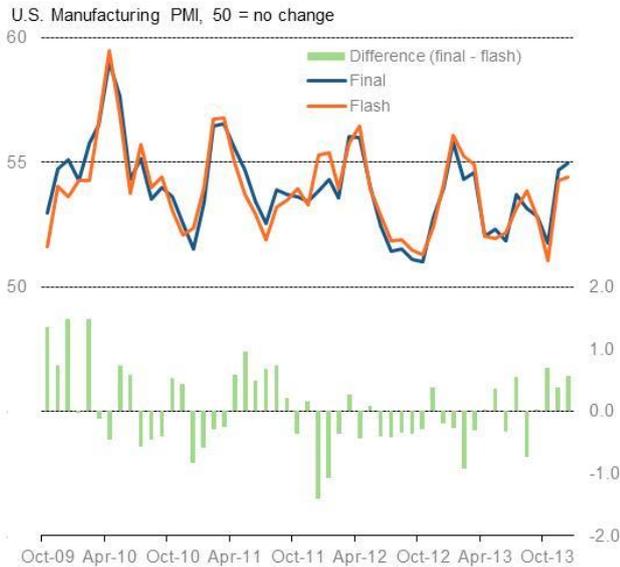
"The upturn in the PMI in December rounds off one of the strongest quarters for manufacturing since the economy pulled out of recession. The goods producing sector is therefore on course to provide a firm boost to the economy in the fourth quarter, which we expect to see growing at an annualised pace of at least 3%."

"Most encouraging is the fact that growth is being led by rising demand for investment goods such as plant and machinery. This tells us that business spending is picking up on the back of rising confidence, which adds to the sense that the recovery is being more self-sustaining."

"This improvement in confidence is translating into increased hiring, with the PMI Employment Index running at a level consistent with around 20,000 jobs being added in manufacturing each month."

"The buoyancy of these survey data supports the view that the Fed will continue to taper its asset purchases at its January meeting."

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



Source: Markit.

-Ends-

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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.

About Markit

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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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