

## News Release

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 0945 EDT 24 July 2014**

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

## Manufacturing growth holds close to four-year peak

#### Key points:

- Manufacturing PMI eases from the 49-month high seen in June
- Slower rises in both output and new orders
- Job creation weakest since September 2013

Data collected 11 – 23 July 2014.

At 56.3 in July, down from 57.3 in June, the seasonally adjusted **Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**<sup>1</sup> signalled the slowest improvement in overall manufacturing business conditions for three months. PMI readings above 50.0 signal an improvement in business conditions, while readings below 50.0 signal deterioration.

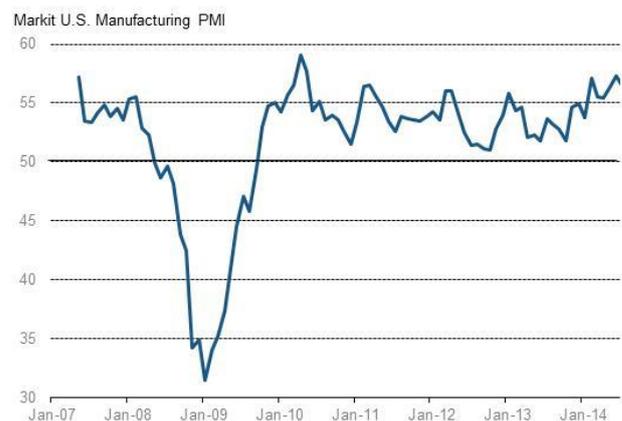
The latest survey indicated that **manufacturing production** growth eased in July, after reaching its strongest pace for over four years in June. Nonetheless, the output index reading in July (60.4) was well above the 50.0 no-change mark and still pointed to an historically strong rate of growth.

Companies that reported higher levels of production generally cited stronger demand from domestic markets and the launch of new products at their plants. July data signalled a steep pace of overall **new business** growth across the manufacturing sector, albeit a softer expansion than in the previous month. Meanwhile, **new export order** growth remained relatively subdued, with the latest index reading unchanged from June's five-month low and only slightly above the neutral 50.0 value.

Manufacturers indicated a rise in **payroll numbers** for the thirteenth successive month in July. Anecdotal evidence cited increased new business inflows and greater backlogs of work. However, the rate of employment growth eased for the first time since April and was the least marked for 10 months. Reports from survey respondents suggested that

slower payroll growth reflected a combination of natural wastage and more cautious hiring policies amid slower output growth in July.

#### Markit U.S. Manufacturing PMI (seasonally adjusted)



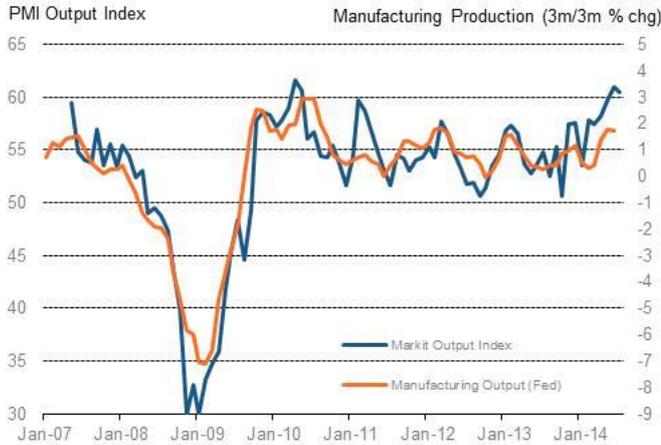
Source: Markit.

Meanwhile, the latest survey signalled a robust rise in **input buying** across the manufacturing sector, which extended the current period of expansion to nine months. This in turn contributed to an increase in **stocks of purchases** during July. **Inventories of finished goods** also accumulated, albeit only marginally, which ended a 12-month period of falling post-production stocks.

Average **cost burdens** increased at a robust pace in July, with survey respondents widely reporting higher prices for raw materials (particularly metals). That said, the overall rate of input cost inflation eased from June's five-month high. Latest data pointed to a solid rise in **factory gate prices**, driven by higher cost burdens, and the pace of inflation picked up to a seven-month high in July.

<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 Report on Business. No information from the ISM survey is used in the production of Markit's PMI.

### Manufacturing output



Sources: Markit, U.S. Federal Reserve.

### Manufacturing employment



Sources: Markit, Bureau of Labor Statistics.

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

*“US manufacturers are enjoying a summer of scorching growth. Output grew in July at a rate only just below the four-year peak seen in June as inflows of new orders surged higher again. The data suggest the sector is growing at an annualised rate of roughly 8% as we moved into the second half of the year.”*

*“The growth rebound that the survey has signalled for the second quarter therefore looks to have been sustained into the third quarter.”*

*“Factories were able to raise their prices to the greatest extent seen so far this year as a result of the improvement in demand, suggesting there may be some inflationary pressures building in the manufacturing supply chain.”*

*“Worryingly, job creation slid to its lowest since last September, which in part reflects concerns that current sales growth may not be sustained. A key source of concern is export sales, which continue to show disappointingly meagre gains.”*

-Ends-

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## Note to Editors:

Final July data are published on 1 August 2014.

Markit originally began collecting monthly *Purchasing Managers' Index*<sup>™</sup> (*PMI*<sup>™</sup>) 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*<sup>™</sup> (*PMI*<sup>™</sup>) 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](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<sup>™</sup> (*PMI*<sup>™</sup>) 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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