News Release

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

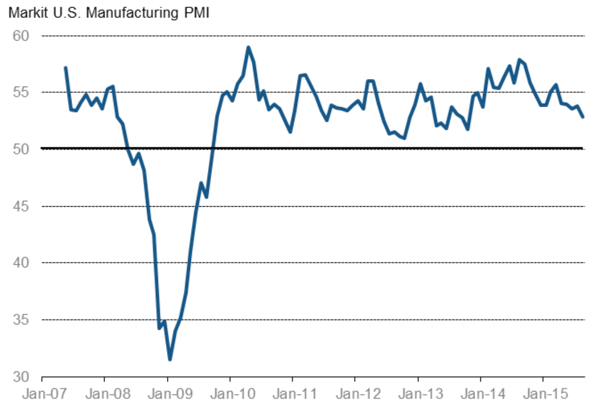
U.S. manufacturers signal the slowest improvement in business conditions for 22 months in August

Key points:

- Manufacturing PMI drops to its lowest level since October 2013
- Output, new orders and employment all expand at slower rates in August
- Input cost inflation picks up fractionally, but remains well below the survey average

Data collected 12 – 20 August 2015.

Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: Markit.

U.S. manufacturers indicated a renewed loss of momentum during August, with output, new business and payroll numbers all increasing at a slower rate than in the previous month. As a result, the headline seasonally adjusted **Markit Flash U.S. Manufacturing *Purchasing Managers' Index*™ (*PMI*™)**[1] dipped from 53.8 in July to 52.9 in August. The index remained above the neutral 50.0 threshold, but the latest reading was the lowest since October 2013.

The main factor weighing on the headline index was a slowdown in manufacturing output growth from the three-month high recorded during July. Moreover, the latest rise in production volumes was the weakest since the weather-related slowdown recorded in January 2014. Some survey respondents cited a cyclical slowdown in new business growth, as well as heightened uncertainty regarding the demand outlook in August.

Latest data indicated a solid expansion of overall new order volumes received by manufacturers, but the rate of growth moderated slightly since July. Subdued export sales remained a drag on new business intakes in August. Reflecting this, new work from abroad decreased for the fourth time in the past five months, with a number of firms attributing the decrease to competitive pressures related to the stronger exchange rate. There were also reports that weak capital spending among energy sector clients continued to weigh on some manufacturers' order volumes.

Softer rates of output and new business growth contributed to greater caution regarding staff hiring in August. The latest survey pointed to a slowdown in job creation to its least marked since July 2014. Meanwhile, backlogs of work increased only slightly, and at the slowest pace for three months.

Growth of input buying picked up in August, but remained close to the 18-month low recorded in July amid reports from survey respondents citing cautious inventory policies. Moreover, stocks of finished goods fell for the first time in 2015 so far. Although only marginal, the rate of decline in post-production inventories was the greatest for just over a year.

August data pointed to broadly similar rates of input price and output charge inflation as those recorded during the previous month. Higher average cost burdens have now been recorded for four months in a row, but the rate of inflation remained well below the long-run survey average in August. Moreover,

[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.

the latest increase in factory gate charges was only slight, with survey respondents linking this to subdued cost pressures, especially in terms of raw material prices.

Comment:

Commenting on the flash PMI data, **Tim Moore, senior economist at Markit** said:

"August's survey highlights a lack of growth momentum and continued weak price pressures across the U.S. manufacturing sector, which adds some fuel to the dovish argument as policymakers weigh up tightening policy in September.

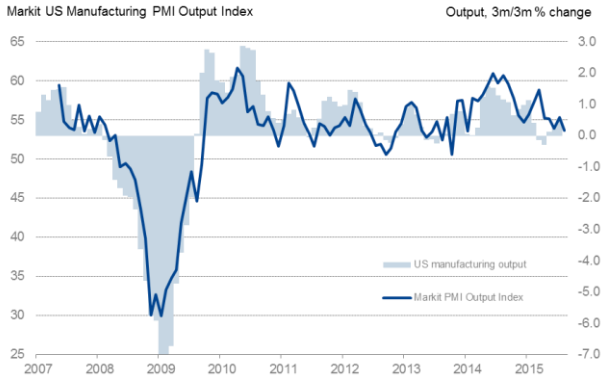
"With the headline PMI swiftly losing ground after a modest rebound during July, the latest figure now points to the weakest overall pace of manufacturing growth for almost two years.

"According to survey respondents, the strong dollar continued to put pressure on export sales and competitiveness, while heightened global economic uncertainty appeared to have dampened client spending both at home and abroad. Alongside this, manufacturers of investment goods widely cited growth headwinds from the slump in capital spending across the energy sector.

"Sluggish manufacturing demand conditions and subdued cost pressures resulted in further restraint in terms of factory gate prices during August. Output charge inflation has broadly flatlined this summer and remains close to its lowest recorded by the survey over the past three years."

-Ends-

Manufacturing output



Sources: Markit, U.S. Federal Reserve.

Manufacturing employment

Sources: Markit, Bureau of Labor Statistics.

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Note to Editors:

Final August data are published on 1 September 2015.

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 indictors 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 over 30 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.