

News Release

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

U.S. manufacturing output growth slows again in December

Key points:

- Production volumes rise at weakest pace for 11 months
- Robust new business growth maintained in December
- Input cost inflation eases to lowest since April 2013

Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: Markit.

Summary

December data signalled a further solid expansion of U.S. manufacturing production, alongside rising levels of employment and incoming new business. However, the final seasonally adjusted **Markit U.S. Manufacturing Purchasing Managers' Index™ (PMI™)** fell from 54.8 in November to 53.9 in December (earlier 'flash' reading 53.7). As a result, the latest PMI figure indicated the weakest improvement in overall manufacturing sector business conditions since January.

Although the latest survey pointed to a solid rise in manufacturing output, the rate of expansion eased for the fourth month running to its least marked since January. Anecdotal evidence suggested that uncertainty towards the global economic outlook had contributed to slower production growth and softer new business gains during recent months.

Levels of new work continued to increase in December and the rate of expansion picked up slightly from the 10-month low recorded during November. Meanwhile, new export orders returned to growth at the end of 2014, but the upturn was only moderate and weaker than that seen for overall new orders. A number of manufacturers noted weak demand from the euro area and emerging markets, which contrasted with relatively strong spending patterns among domestic clients.

Manufacturing payroll numbers rose for the eighteenth successive month in December. However, the rate of job creation moderated to its least marked since July. Some survey respondents pointed to more cautious staff hiring policies at their plants amid signs of a reduced squeeze on operating capacity. Reflecting this, unfinished work increased at only a marginal pace in December, with the rate of backlog accumulation much slower than seen on average during 2014 as a whole.

Stocks of finished goods were depleted in December, thereby ending a five-month period of rising post-production inventory levels. Meanwhile, stocks of purchases increased only marginally, with the latest rise the slowest in the current six-month sequence of expansion.

Robust growth of input buying continued across the manufacturing sector in December, but the latest upturn in purchasing activity was the least marked for 11 months. Despite a softer upturn in input buying, suppliers' delivery times lengthened for the eighteenth month running.

Input price inflation eased for the third successive month to its lowest since April 2013. Survey respondents widely reported falling commodity prices and reduced oil-related costs. Meanwhile, factory gate price inflation hit a seven-month low in December.

Company size and sector analysis

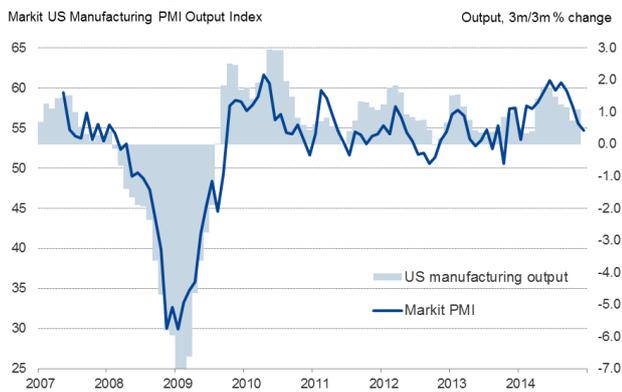
Large manufacturers (500+ employees) continued to outperform small and medium sized manufacturers in terms of output and new order

growth during December. Job creation was broad-based across the manufacturing sector at the end of 2014, albeit led by large manufacturers.

By market group, the sharpest expansion of production levels was in the consumer goods sector, followed closely by intermediate goods. Meanwhile, investment goods producers posted the slowest increase in output.

Investment goods producers also saw the weakest rise in payroll numbers, with the moderate expansion in December contrasting with a strong and accelerated increase in employment levels among consumer goods producers.

Manufacturing output



Sources: Markit, U.S. Federal Reserve.

Manufacturing employment



Sources: Markit, Bureau of Labor Statistics.

Comment

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

“The manufacturing sector saw growth of activity lose further momentum at the end of 2014, but that didn’t stop factories enjoying their best year since the recession. Even with the slowdown, the manufacturing output is rising at a robust pace. With factories keeping busy, higher production should help the overall economy remain on a firm upward growth trend in the fourth quarter, albeit with growth easing compared to the above-trend rates seen in the second and third quarters.

“The big question of course is whether the pace of expansion will continue to weaken as we move into 2015. Companies are citing greater uncertainty about the outlook, especially in export markets, leading to some scaling back of expansion plans and a greater reluctance for customers to place orders compared to earlier in the year, which suggests a slowdown could become more entrenched unless demand revives.

“In that respect, December saw growth of new orders lift slightly higher, suggesting the environment may already be starting to improve amid lower oil prices and a sustained flow of better than expected economic data in recent months, especially in relation to domestic employment and consumer spending. Even if global demand remains subdued, a buoyant domestic market should therefore help sustain factory growth in coming months.”

-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.

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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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