

News Release

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

Service sector output growth slows in April, contributing to weakest rise in employment for almost two years

Key points:

- Business activity rises at slower pace than in March
- Staffing levels increase at weakest pace since June 2012
- Input cost inflation accelerates in April

Data collected 11 – 24 April.

Adjusted for seasonal influences, the **Markit Flash U.S. Services PMI™ Business Activity Index¹** registered 54.2 in April, down from 55.3 in March.

The headline 'flash' PMI figure, which is based on approximately 85% of usual monthly replies, remained well above the neutral 50.0 value, to signal a solid rate of service sector output growth in April.

However, the latest reading was the second-lowest since October 2013 and indicated a slower pace of expansion than seen on average in Q1 2014 (55.1).

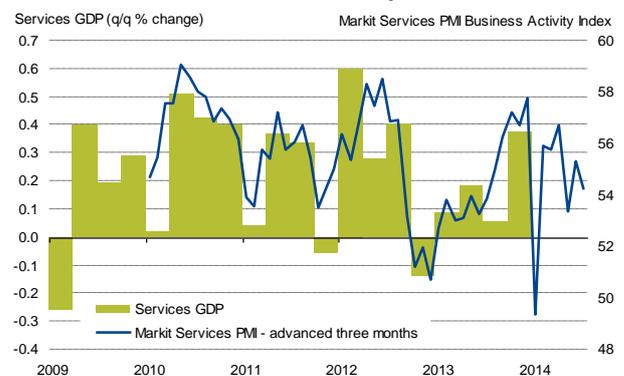
Flash U.S. Services PMI™ Summary

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

Index	Apr'14	Mar'14	Change signalled
Business Activity	54.2	55.3	Expansion, slower rate
New Business	53.6	53.0	Expansion, faster rate
Outstanding Business	48.0	48.3	Contraction, faster rate
Employment	51.0	51.8	Expansion, slower rate
Prices Charged	56.1	53.0	Rise, faster rate
Input Prices	56.3	53.2	Rise, faster rate
Business Expectations*	74.8	76.4	Optimism, weaker degree

* not adjusted for seasonality

Service sector business activity



Sources: Markit, Bureau of Economic Analysis.

Higher levels of **business activity** were supported by a continued increase in incoming **new work** during April. Nonetheless, the latest expansion of new business was only slightly faster than the 18-month low seen in March, and weaker than recorded at any time in 2013. As a result, service providers reported a further moderate reduction in **backlogs of work**, with the rate of contraction the fastest since August 2013.

Relatively subdued new business growth and weaker rises in output contributed to a slowdown in **job creation** in April. The latest expansion of service sector payroll numbers was only marginal and the weakest since June 2012 (it was also the joint-lowest rise in staffing levels for almost four years).

Some survey respondents commented on a moderation in their optimism about the **year-ahead business outlook**. Latest data signalled that the degree of positive sentiment eased since March and remained much lower than the three-year high reached in January.

Meanwhile, **input cost inflation** accelerated in April to its fastest for three months. Anecdotal evidence from service providers widely cited higher

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

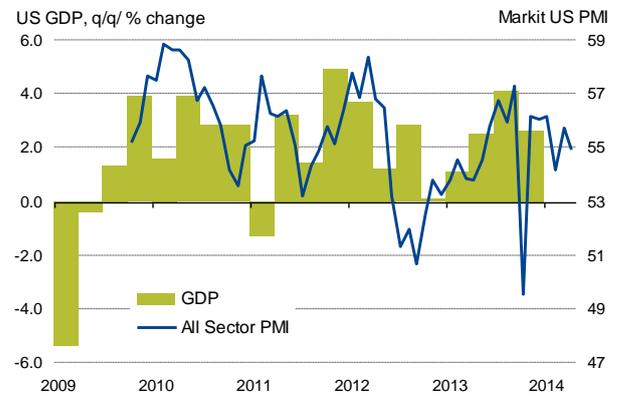
food prices in the latest survey period, alongside rising fuel bills. Stronger cost pressures contributed to a further increase in average **prices charged** by service providers in April, with the rate of output price inflation picking up to its steepest since data collection began in October 2009.

Markit Flash U.S. Composite PMI™

Adjusted for seasonal influences, the **Markit Flash U.S. Composite PMI Output Index**, which is based on original survey data from the Markit U.S. Services PMI and the Markit U.S. Manufacturing PMI, posted 54.9 in April.

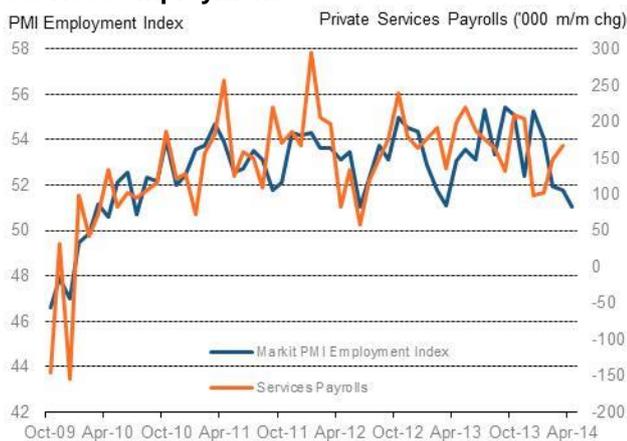
The latest reading was down from 55.7 in March and slightly lower than that recorded on average in the first quarter of 2014 (55.3).

Markit Composite PMI and U.S. GDP



Source: Markit, U.S. Bureau of Economic Analysis.

Services employment



Sources: Markit, U.S. Bureau of Labor Statistics.

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

“The PMI surveys indicate that the US economy is slowing in the second quarter, in terms of both economic growth and job creation. With the exceptions of the government shutdown last October and the weather-related disruptions in February, the rate of economic growth signalled by the flash services and manufacturing PMIs in April was the weakest since May of last year.

“The surveys are running at a level broadly consistent with annualised GDP growth of 2.0%, while the employment index from the two surveys points to non-farm payroll growth sliding to around 100,000 per month.

“In the services sector, there are worrying signs for future momentum. Levels of outstanding business fell at the fastest rate since last August, and firms’ optimism about the year ahead also waned.

“These data challenge the view among many, including some key policymakers, that the recent deterioration in some of the economic data has been purely a symptom of the adverse weather at the start of the year.”

-Ends-

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Note to Editors:

Final April data are published on 5 May 2014.

The U.S. Services *PMI*[™] (*Purchasing Managers' Index*[™]) is produced by Markit and is based on original survey data collected from a representative panel of over 400 companies based in the U.S. service sector. Markit originally began collecting monthly PMI data in the U.S. service sector in October 2009.

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 Markit U.S. Services PMI complements the Markit U.S. Manufacturing PMI and enables the production of the Markit U.S. Composite PMI which tracks business trends across both the manufacturing and service sectors, based on original survey data collected from a representative panel of over 1,000 companies.

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'.

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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