

News Release

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

Sharpest rise in production levels since February 2011

Key points:

- Manufacturing PMI hits three-month high...
- ...led by stronger output growth in May
- New export orders increase at fastest pace since July 2013

Summary

May data signalled that output growth in the U.S. manufacturing sector continued to accelerate through the second quarter of 2014, supported by another sharp improvement in new business volumes. Greater production requirements and efforts to rebuild stocks of purchases meanwhile contributed to a survey-record increase in input buying during the latest survey period.

Final U.S. Manufacturing PMI™ Summary

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

Index	May'14	Apr'14	Change signalled
PMI	56.4	55.4	Expansion, faster rate
Output	59.6	58.2	Expansion, faster rate
New Orders	58.8	58.9	Expansion, slower rate
New Export Orders	52.2	51.7	Expansion, faster rate
Employment	53.7	53.7	Expansion, unchanged rate
Backlogs of Work	56.0	55.2	Expansion, faster rate
Output Prices	50.4	50.9	Rise, slower rate
Input Prices	56.4	53.5	Rise, faster rate
Stocks of Purchases	52.0	48.7	Rise, change of direction
Stocks of Finished Goods	47.9	49.1	Decline, faster rate
Quantity of Purchases	59.2	56.7	Expansion, faster rate
Suppliers' Delivery Times	47.1	49.5	Lengthening faster 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.

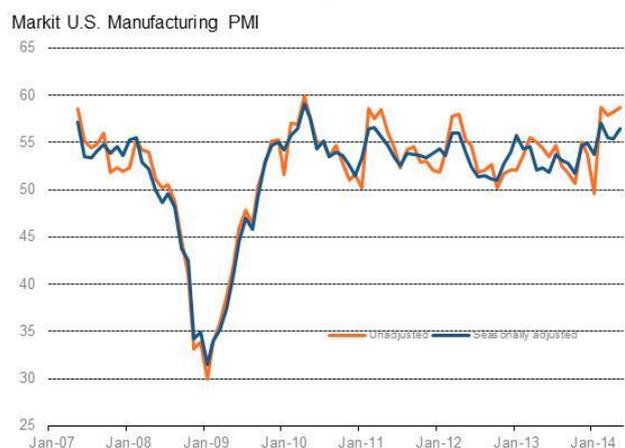
The headline figure derived from the survey is the Markit U.S. Manufacturing *Purchasing Managers' Index™* (PMI™), which is designed to signal changes in prevailing business conditions in the U.S.

manufacturing sector. PMI readings above 50.0 signal an improvement in business conditions, while readings below 50.0 signal deterioration.

Adjusted for seasonal influences, the final **Markit U.S. Manufacturing PMI** picked up to 56.4 in May, from 55.4 in April. The latest reading was well above the neutral 50.0 value and signalled a robust improvement in overall business conditions.

The latest survey pointed to a steep increase in production levels, with the rate of expansion accelerating for the second month running to the fastest since February 2011. Anecdotal evidence from survey respondents cited improving underlying demand, better economic conditions and greater investment spending among clients.

Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: Markit.

Volumes of new work received by manufacturing companies continued to increase at a robust pace in May. The latest rise in new business was supported by a combination of increased domestic demand and the most marked rise in new export work since July 2013. A number of companies cited rising spending patterns among clients in developed markets.

Higher levels of new business placed some pressures on operating capacity in May, as highlighted by a robust and accelerated increase in backlogs of work in the manufacturing sector. An

accumulation of outstanding work also supported job creation in May, with manufacturing payroll numbers increasing for the eleventh successive month.

Manufacturers indicated a renewed rise in pre-production inventory levels in May, and the rate of expansion was the most marked since April 2012. Increased stocks of purchases reflected the steepest expansion of input buying since the survey began in late 2009. Meanwhile, stronger demand for raw materials led to a deterioration in supplier performance for the eleventh month running in May.

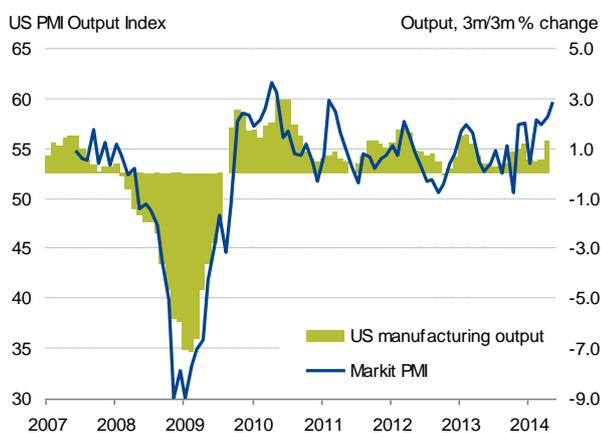
Meanwhile, the latest survey signalled that input cost inflation picked up to its fastest since January. Despite a strong increase in input prices, May data indicated that factory gate price inflation was only marginal and the weakest for almost two years.

Company size and sector analysis

May data indicated that large manufacturers (more than 500 employees) registered the fastest output expansion of the three company size categories monitored by the survey. However, large manufacturers saw job creation ease to only a marginal pace that was the slowest for 11 months in May. In contrast, small and medium sized manufacturers indicated an upturn in employment growth during the latest survey period.

Consumer goods producers recorded the strongest improvement in overall business conditions of the three market groups monitored by the survey in May. Latest data pointed to the sharpest rise in new business received by consumer goods producers for just over four years. Only the investment goods sector posted a moderation in new order growth in the latest survey period.

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:

“Purchasing managers reported a further surge in business activity in May. With the exception of a brief spell in early-2010, output is growing at the fastest rate seen since prior to the financial crisis

“The survey puts the sector on course to provide a substantial boost to gross domestic product in the second quarter, and therefore adds to signs that the economy has enjoyed a strong revival after shrinking due to the adverse weather at the start of the year. But this is not simply a weather-related rebound. Companies are reporting that their customers and feeling more confident, restocking, expanding and investing.

“The household sector in particular is leading the upturn, with demand for consumer goods rising at the fastest rate for four years. This is therefore very much a domestic led upturn, but it is encouraging to also see that growth of export orders picked up in May, pointing to an improved trade balance in the second quarter.”

-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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