News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0945 (EDT) / 1345 (UTC) November 1st 2016

Markit U.S. Manufacturing PMI™ – final data

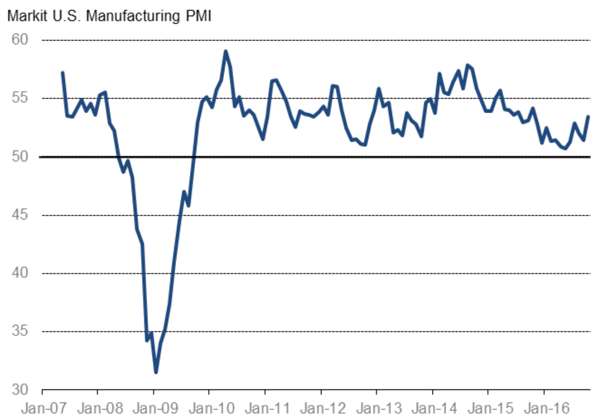
PMI reaches highest level for a year in October

Key findings:

- Gains in output and new orders underpin sharp improvement in operating conditions
- Jobs added again, albeit at modest pace
- Cost inflation rises to highest level for two years

Data collected October 12-25

Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: IHS Markit.

Operating conditions in the U.S. manufacturing sector strengthened to the greatest degree for a year during October, underpinned by faster expansions in both production and new orders. With pressure on capacity, as highlighted by a sharper increase in backlogs of work, further jobs were created.

Meanwhile, emergent inflationary pressures were evident as both input and output prices rose at solid rates.

October's headline Markit Final ***U.S. Manufacturing Purchasing Managers' Index™ (PMI™)*** was slightly better than the earlier flash reading of 53.2, coming in at 53.4. That was a marked improvement on September's 51.5 and the best reading recorded for a year. Operating conditions have continuously improved throughout the past seven years, with October's PMI reading notable for being the highest recorded by the survey for 12 months.

Driving the PMI higher in the latest survey period was a strengthening in **production**, which was in turn supported by a marked upturn in **new orders**. In both cases, rates of growth indicated by respective sub-indices were at their strongest in a year, reportedly the result of firmer market demand and the development of new products.

Both of these factors encouraged **inventory building** during the month, with both finished goods stock and input inventories rising since September. Growth in raw material and semi-manufactured inventories was the best since October 2015 and was also underpinned by a marked rise in **purchasing activity**. Latest data showed that manufacturers responded to positive demand developments by buying inputs at a rate not seen since June 2015.

October's survey implied that domestic demand was key in driving the expansion of new order books. Whilst there was an increase in **new exports**, reflective of improved client relationships and general market expansion, growth was modest and lagged those seen during the summer.

Rising production and new order requirements placed some pressure on capacity during October, with **backlogs of work** increasing to the greatest degree in three months. This development encouraged further hiring of staff, with the latest data showing a rise in **employment** for the fortieth month in a row. However, growth was modest and slightly down on September's pace.

Amid reports of rising commodity prices, average **input costs** increased for the seventh month in a row. The rate of inflation was also the greatest recorded by the survey for two years, and encouraged companies to pass on these higher costs to clients in the form of increased **output charges**. The net result was a solid pace of charge inflation that was the strongest seen since November 2011.

Comment

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

"October saw manufacturing enjoy its best performance for a year. Factories benefitted from rising domestic and export sales, driving output higher to mark an encouragingly strong start to the fourth quarter.

"The survey also picked up signs of manufacturers and their customers rebuilding their inventories, often filling warehouses in anticipation of stronger demand in coming months.

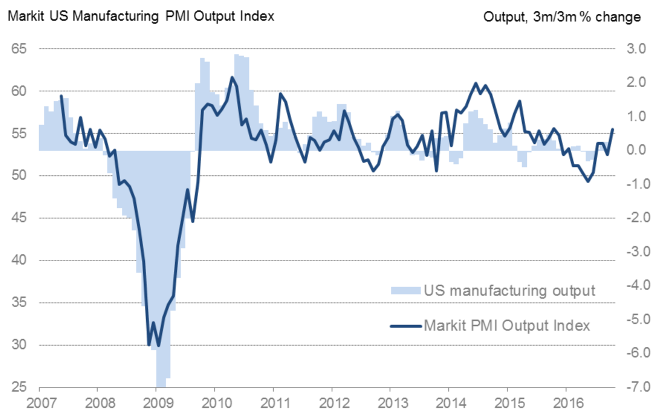
"However, a widespread reticence to take on extra staff highlights lingering caution with respect to investing in capacity, at least until after the presidential election.

"Hiring is also being subdued partly by worries about escalating costs, with the October survey recording the largely monthly rise in factory prices for five years.

"While output growth is accelerating, so too are inflationary pressures, which will further fuel speculation that the Fed will hike interest rates again in December."

-Ends-

Manufacturing output



Sources: IHS Markit, U.S. Federal Reserve.

Manufacturing employment

Sources: IHS Markit, Bureau of Labor Statistics.

News Release

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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 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@ihsmarkit.com.

About IHS Markit (www.ihsmarkit.com)
IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and expertise to forge solutions for customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

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.