

News Release

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

U.S. Manufacturing PMI rises to highest level since April 2010

Key points:

- Manufacturing PMI rebounds sharply from July's three-month low
- Output and new orders both rise at faster rates
- New export business increases at steepest pace for three years
- Employment growth accelerates to strongest since March 2013

Data collected 12 – 20 August 2014.

The seasonally adjusted **Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**¹ – which is designed to signal changes in prevailing business conditions in the U.S. manufacturing sector – registered 58.0 in August, up sharply from 55.8 in July and the highest reading for over four years. All five components of the *Manufacturing PMI* had a more positive influence on the headline index than in July, led by a robust and accelerated increase in employment.

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

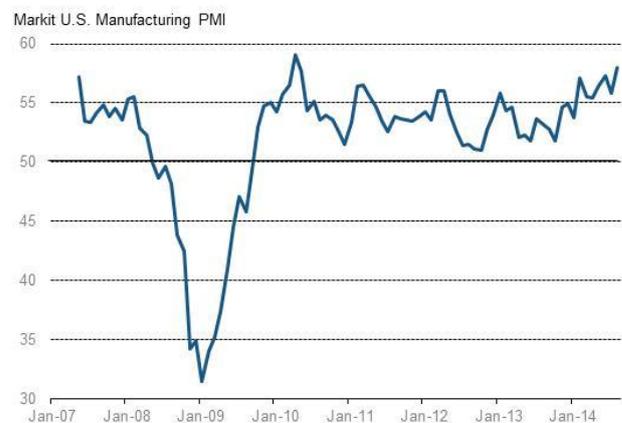
August data indicated a further steep rise in **production levels** across the manufacturing sector. The rate of output growth picked up slightly since July and was one of the fastest seen over the past four years. Survey respondents mainly cited improving domestic economic conditions and an associated upturn in client spending.

Volumes of **new work** received by manufacturing companies rose at a sharp pace during August and, in line with the trend for production, the rate of expansion held close to its strongest since early 2010. Manufacturers also benefitted from a solid rebound in **new export orders** in August, with the pace of expansion picking up from July's six-month

low. Moreover, the latest increase in new business from abroad was the steepest for three years.

Stronger demand patterns, an accumulation of **backlogs** for the seventh month running, and improving confidence towards the business outlook all contributed to a further increase in manufacturing **payroll numbers** in August. Moreover, job creation picked up since July and the latest rise in staffing levels was the fastest for almost a year-and-a-half.

Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: Markit.

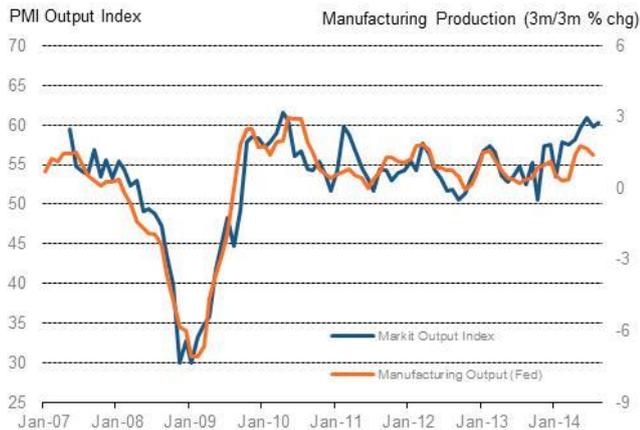
Greater production schedules and increased new business wins resulted in a sharp expansion of **input buying** across the manufacturing sector in August. The latest rise in purchasing activity was the fastest since the series began in May 2007, which in turn contributed to a survey-record increase in **pre-production inventories** in August. Stronger demand for inputs led to the most marked lengthening of **suppliers' delivery times** since the snow-affected first quarter of 2014. Meanwhile, **stocks of finished goods** rose for the second successive month, but the pace of expansion remained modest.

Input cost inflation was unchanged since July and remained subdued in comparison with the survey's historical average. August data also indicated a

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.

further rise in manufacturers' **factory gate charges**. The latest increase in output prices was little-changed from July's seven-month high, and a number of survey respondents reported passing on a proportion of their higher input costs to clients in August.

Manufacturing output



Sources: Markit, U.S. Federal Reserve.

Manufacturing employment



Sources: Markit, Bureau of Labor Statistics.

Comment:

Commenting on the flash PMI data, **Tim Moore, Senior Economist at Markit** said:

“August’s survey delivers further evidence that robust manufacturing growth momentum has been sustained through the third quarter, with overall business conditions improving at the fastest pace for over four years.

“Stronger employment growth was a key factor boosting the headline PMI reading in August. Staff hiring picked up to its sharpest for around a year-and-half, providing an early indication that the US manufacturing sector has generated in excess of 20,000 jobs over the month in August.

“Export sales finally showed signs of improvement, despite relatively subdued business conditions in some key markets, with the latest rise the steepest for three years.

“Overall, with job hiring gathering momentum and input buying expanding at the sharpest pace for at least seven years, it seems US manufacturers are increasingly confident that the recovery is firmly back on track and are gearing up for a sustained rebound in production schedules over the months ahead.”

-Ends-

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Note to Editors:

Final August data are published on 2 September 2014.

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 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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