News Release

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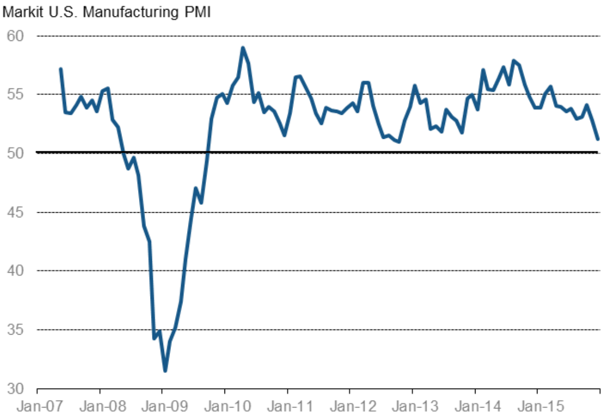
Markit U.S. Manufacturing PMI™ – final data

Weakest upturn in manufacturing business conditions for just over three years in December

Key points:

- Manufacturing PMI falls to 51.2, its lowest level since October 2012
- Slower rates of output and new business growth
- Input costs decline again in December

Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: Markit.

Summary

U.S. manufacturers ended the year by recording the weakest improvement in overall business conditions since October 2012. This was highlighted by a fall in the final seasonally adjusted **Markit U.S. Manufacturing *Purchasing Managers' Index™ (PMI™)*** to 51.2, down from 52.8 in November. Although still above the neutral 50.0 threshold, the latest reading was much weaker than the survey average (54.2) and pointed to only a marginal upturn in operating conditions.

A near-stagnation in new business volumes was the main factor weighing on the headline index in December. Measured overall, new order levels expanded only fractionally and at the weakest pace since September 2009. Anecdotal evidence cited softer underlying demand conditions, intense competition for new work and subdued business confidence among clients. Export sales were also close to stagnation in December, with manufacturers noting that the strong dollar continued to act as a drag on demand from abroad.

Manufacturing production growth moderated in response to weaker than expected new business intakes during December. The latest expansion of output levels was the least marked since October 2013. At the same time, capacity pressures eased in December, with backlogs of work decreasing at the fastest pace since September 2009. Nonetheless, payroll numbers rose at a solid rate that was slightly faster than seen during the previous month. This marked two-and-a-half years of sustained job creation across the manufacturing sector, and the pace of expansion was close to the average seen over this period.

December data indicated a softer increase in purchasing activity across the manufacturing sector. Higher levels of input buying have been recorded in each month since November 2013, but the latest rise was the weakest over this period. Survey respondents noted that slower new business growth had contributed to more cautious input buying and efforts to streamline stocks. Reflecting this, pre-production inventories decreased for the first time in a year-and-a-half during December.

Input prices continued to fall during the latest survey period, with the rate of decline accelerating slightly since November. Manufacturers commented on falling costs for a range of raw materials, particularly steel. However, factory gate charges rose for the third month running. Although only modest, the rate of output charge inflation picked up to its fastest since August.

Comment

Commenting on the final PMI data**, Chris Williamson, chief economist at Markit said:**

"The manufacturing sector saw a disappointing end

to 2015, and its plight looks set to continue into the New Year as headwinds show no sign of abating any time soon.

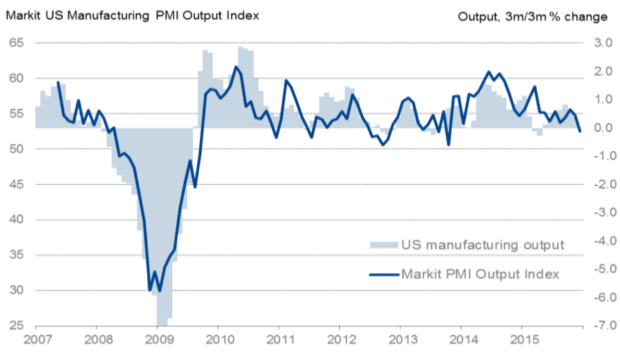
"Order book growth has stalled as producers report some of the toughest trading conditions since the end of the global financial crisis.

"The strong dollar is hurting exporters as well as hitting domestic sales as firms compete against inflows of cheap imports. Low oil prices are meanwhile hitting demand for goods and machinery from the energy sector. There are signs that consumers are becoming more cautious in relation to spending as interest rates lift off their historic lows, and overseas demand remains in the doldrums. All of these factors look set to continue to hurt manufacturers, and even intensify, in coming months.

"However, with the Fed stressing that the trajectory of interest rates will be data dependent, any extended period of weakness at least suggests that the rate hiking process will be very gradual."

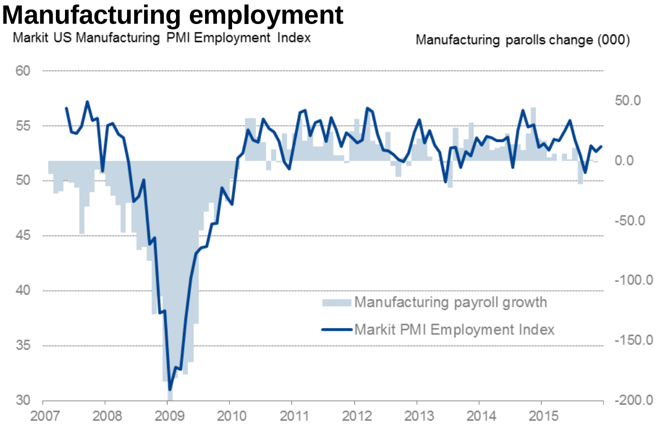
-Ends-

Manufacturing output



Sources: Markit, U.S. Federal Reserve.

Manufacturing employment



Sources: Markit, Bureau of Labor Statistics.

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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 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@markit.com.

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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.