

News Release

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

Manufacturing growth picks up to four-month high in July

Key points:

- PMI indicates faster rate of improvement in business conditions
- Solid rise in new orders, with new export orders returning to growth
- Employment rises after stagnating in June
- Input price inflation strongest since February

Data collected 12–23 July.

The **Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**¹ picked up to a four-month high in July. Having risen to 53.2 from 51.9 in June, the flash PMI index, which is based on approximately 85% of usual monthly replies, suggested that growth of the manufacturing sector quickened to a moderate pace.

Flash U.S. Manufacturing PMI™ Summary

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

Index	Jul'13	Jun'13	Change signalled
PMI	53.2	51.9	Expansion, faster rate
Output	54.0	53.5	Expansion, faster rate
New Orders	55.1	53.4	Expansion, faster rate
New Export Orders	52.3	46.3	Expansion, change in direction
Employment	52.6	49.9	Expansion, change in direction
Backlogs of Work	52.4	51.3	Expansion, faster rate
Output Prices	50.5	51.6	Rise, slower rate
Input Prices	58.0	54.1	Rise, faster rate
Stocks of Purchases	47.6	50.6	Contraction, change in direction
Stocks of Finished Goods	47.0	51.4	Contraction, change in direction
Quantity of Purchases	54.0	53.4	Expansion, faster rate
Suppliers' Delivery Times	47.7	50.6	Lengthening, change in direction

PMI readings above 50.0 signal an increase or improvement on the prior month, while readings below 50.0 indicate a decrease.

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.

Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: Markit.

The volume of **new work** received by manufacturers continued to rise in July, with the latest increase solid and the greatest since March. Panellists generally commented on greater client demand and improved market conditions at the start of the third quarter.

Although the increase in total new orders generally reflected higher new work intakes domestically, **new export orders** also rose in July. The modest expansion of new export work followed contractions in the previous two months.

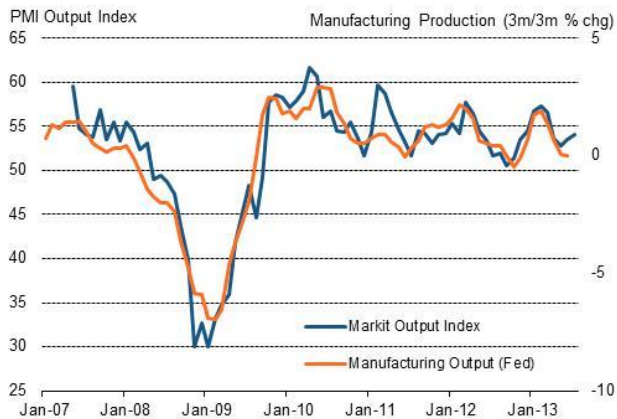
Manufacturing new orders



Sources: Markit, U.S. Census Bureau via EcoWin.

Reflective of the rise in new work, manufacturers raised **production** at the fastest rate in four months in July. The rate of output growth, though solid, was weaker than the average for the current near four-year sequence of expansion.

Manufacturing output



Sources: Markit, U.S. Federal Reserve via Ecwin.

Meanwhile, **stocks of finished goods** fell for the first time in 2013 so far, and **backlogs of work** rose at the strongest pace since March 2012, both partly due to the uplift in growth of new orders.

After having remained broadly unchanged in June, **employment** in the manufacturing sector rose during July. Firms took on more staff due to increased workloads as well as a brighter business outlook. However, the rate of job creation was modest and weaker than at the start of the year.

Manufacturing employment



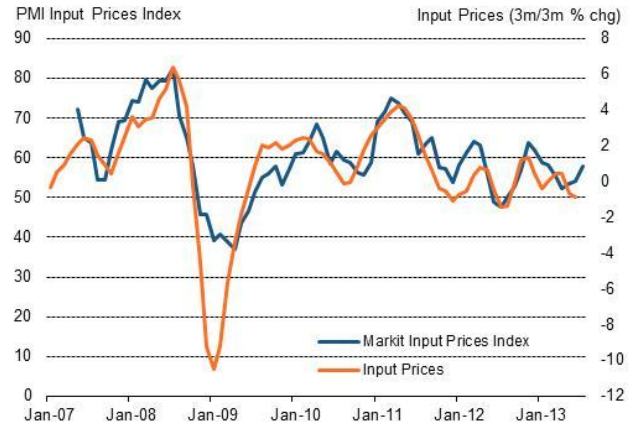
Sources: Markit, Bureau of Labor Statistics via Ecwin.

Input costs continued to rise in July, with firms particularly mentioning higher prices for packaging and metals. The rate of input price inflation was strong and the fastest since February.

However, intense competitive pressures limited the extent to which manufacturers could pass on increased costs to clients in the form of higher

output charges. Overall, selling prices rose only marginally and at the weakest rate in the current 11-month sequence of inflation.

Input prices



Sources: Markit, Bureau of Labor Statistics via Ecwin.

The quantity of **inputs bought** by manufacturing companies grew solidly and at the fastest pace in seven months during July. Concurrently, **stocks of purchases** were reduced for the first time since April. **Suppliers' delivery times** meanwhile lengthened, after having shortened one month previously.

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

"The U.S. manufacturing sector picked up momentum again in July, with output, order books and employment all growing. The goods-producing sector acts as a bellwether of the wider economy, and the upturn in July therefore bodes well for the pace of GDP growth to have picked up again in the third quarter after a likely easing in the second quarter."

"The pace of manufacturing growth nevertheless remains well below that seen at the start of the year, in part reflecting weaker demand from many export markets, notably China and other emerging economies. Employment growth is disappointingly weak as a result, as firm focus on cost-cutting to boost competitiveness."

"The Fed will therefore be encouraged by signs that the sector is showing signs of reviving, but will no doubt remain cautious with regard to the longer-term outlook for the economy and the job market. It is likely that policymakers will generally need to see growth strengthen further before sounding more confident about the ability of the economy to withstand any tapering of stimulus."

-Ends-

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Note to Editors:

Final July data are published on 1 August 2013.

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.

About Markit

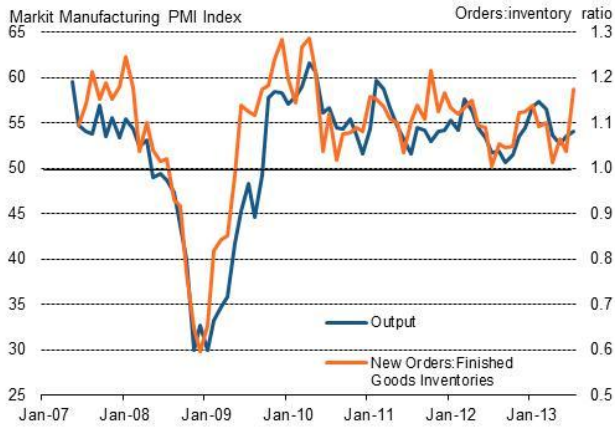
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About PMIs

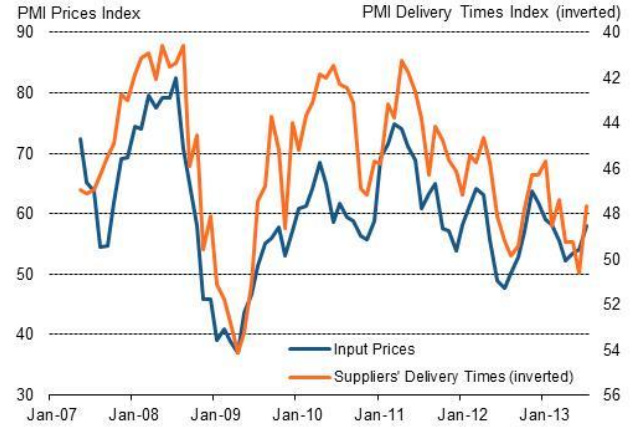
Now available for 32 countries and key regions including the Eurozone, *Purchasing Managers' Index*[™] (*PMI*[™]) surveys have become the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/economics.

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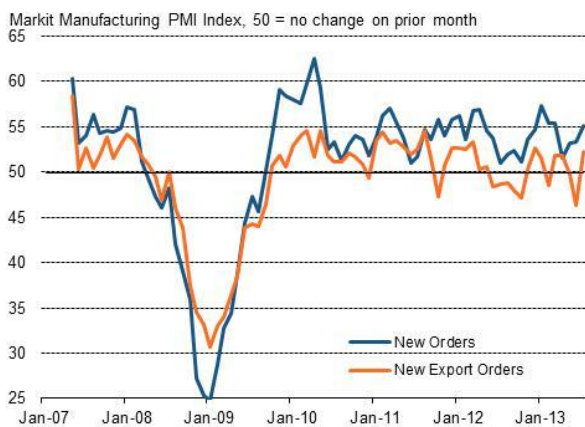
Output and orders:inventory ratio



Supply chain developments



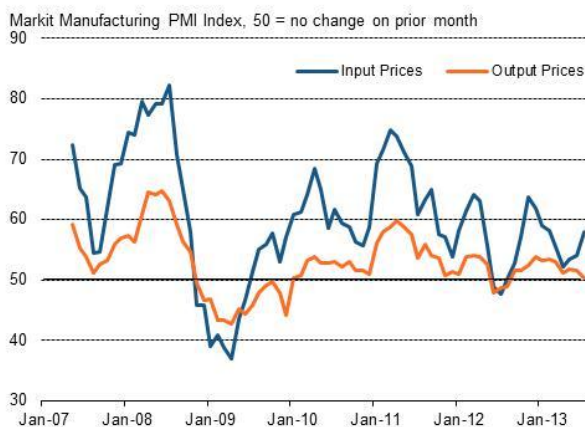
New orders



Backlogs of work and warehouse inventories



Prices



Purchasing and input inventories

