News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0945 (EDT) / 1345 (UTC) March 24th 2016

Markit Flash U.S. Services PMI™

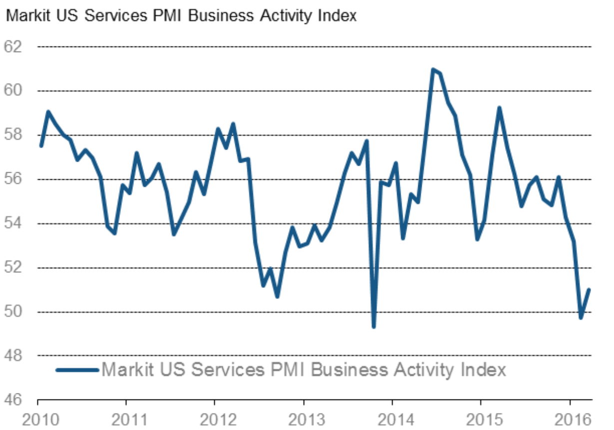
New business growth eases to post-crisis low in March

Key points:

- Weak rebound in service sector activity following weather-related disruption in February
- Softest expansion of new business since the survey began in October 2009
- Payroll numbers rise at solid clip, but confidence about the business outlook remains subdued

Data collected 11 – 23 March.

Service sector business activity (seasonally adjusted)



Sources: Markit

U.S. service providers indicated a return to business activity growth during March, following a decline that was partly driven by east coast snow disruptions in February. However, the rebound in services output was only marginal, suggesting an underlying slowdown in growth momentum so far this year. At the same time, latest data indicated that new business levels expanded at the weakest pace since the survey began in October 2009.

The seasonally adjusted **Markit Flash U.S. Services PMI™ Business Activity Index**[1] registered 51.0 in March, up from 49.7 in February, to indicate only a marginal expansion of service sector activity. As a result, the latest index reading – which is based on approximately 85% of usual monthly replies – remained well below its post-crisis trend (55.6).

Moreover, the average reading for the first three months of 2016 (51.3) revealed the slowest quarterly pace of expansion since Q3 2012.

Survey respondents noted that a less favourable economic backdrop and hesitancy among clients in terms of committing to new projects had held back business activity growth. Reflecting this, volumes of new work received by service providers picked up only slightly in March, and at the weakest pace since the survey began six-and-a-half years ago.

There remained evidence of heightened uncertainty about the business outlook in March. Service sector firms continue to expect rising business activity at their units over the next 12 months, but the degree of confidence was only slightly higher than the five-and-a-half year low recorded in February.

Despite relatively subdued business optimism, service providers signalled another solid increase in payroll numbers during March. The rate of job creation accelerated slightly since the previous month and remained faster than the survey average. This in turn allowed firms to reduce their volumes of work outstanding, which has now been recorded for eight months running (the longest sustained period since the survey began).

Meanwhile, input cost inflation slowed in March and remained close to the lows seen at the turn of the year. Survey respondents noted that lower fuel prices had helped to offset stronger salary pressures at their units. Average prices charged by service providers increased marginally in March, but this contrasted with a slight reduction during the previous month.

Markit Flash U.S. Composite PMI™

At 51.1 in March, the seasonally adjusted **Markit Flash U.S. Composite PMI Output Index** was up

[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 Non-Manufacturing Report on Business. No information from the ISM survey is used in the production of Markit's PMI.

from 50.0 in February, but signalled only a slight expansion of private sector business activity. Moreover, the average index reading for Q1 2016 as a whole (51.4) pointed to the slowest quarterly upturn in output since Q3 2012.

Similarly weak rises were recorded for manufacturing production ('flash' output index at 51.4) and service sector activity in March ('flash' index at 51.0).

The composite index is based on original survey data from the Markit U.S. Services PMI and the Markit U.S. Manufacturing PMI.

Comment:

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

"The US economy is going through its worst growth spell for three and a half years.

"The lack of a strong rebound in service sector activity in March is a big disappointment, as bad weather had been blamed for part of the weakness in the first two months of the year.

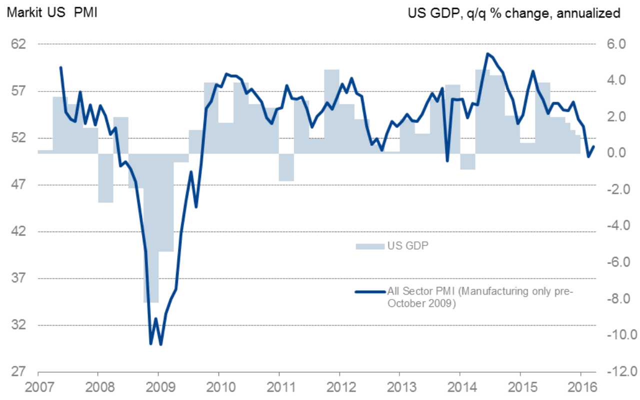
"Combined with the lacklustre performance seen in manufacturing, the subdued services survey points to the weakest quarterly expansion of the economy since the third quarter of 2012. The PMI surveys suggest the economy grew at a worryingly meagre 0.7% annualised rate in the first quarter.

"Worst may be to come. The greatest concern is the near-stalling of new business growth. Demand for goods and services is growing at the slowest rate seen this side of the global financial crisis. It's not surprising therefore that companies lack pricing power, as reflected in a near-stagnation of average selling prices in recent months.

One positive is that the rate of hiring remained impressively resilient, signalling another month of 200,000 non-farm payroll growth in March. However, such strong hiring at a time of weak output growth suggests productivity is trending down at the fastest rate seen over the past six years."

-Ends-

Markit Composite PMI and U.S. GDP



Source: Markit, U.S. Bureau of Economic Analysis.

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Note to Editors:

Final March data are published on 5 April 2016.

The U.S. Services *PMI*™ (*Purchasing Managers' Index*™) is produced by Markit and is based on original survey data collected from a representative panel of over 400 companies based in the U.S. service sector. Markit originally began collecting monthly PMI data in the U.S. service sector in October 2009.

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 Markit U.S. Services PMI complements the Markit U.S. Manufacturing PMI and enables the production of the Markit U.S. Composite PMI which tracks business trends across both the manufacturing and service sectors, based on original survey data collected from a representative panel of over 1,000 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'.

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.