News Release

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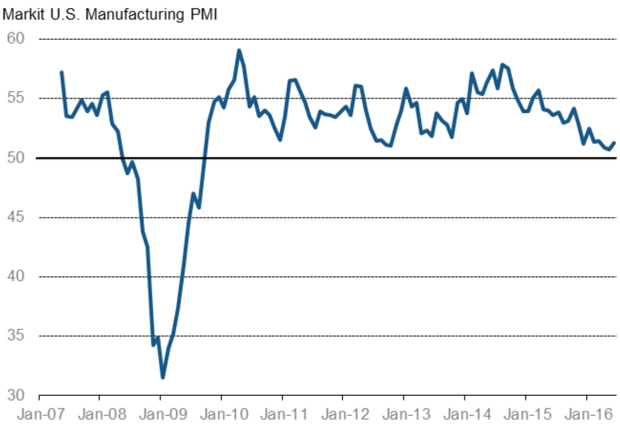
Markit U.S. Manufacturing PMI™ – final data

Manufacturing PMI edges up to a three-month high in June

Key points:

- Renewed rise in production volumes
- Sharpest increase in new business since March
- Moderate expansion of payroll numbers

Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: Markit.

Summary

U.S. manufacturers indicated a slight rebound in production volumes during June, helped by the fastest rise in new work since March. However, the latest survey signalled that growth momentum remained relatively subdued in comparison to its post-crisis trend, which contributed to cautious job hiring and further efforts to reduce inventories in June.

The seasonally adjusted final **Markit U.S. Manufacturing *Purchasing Managers' Index™ (PMI™)*** registered 51.3 in June, up from 50.7 in May and the highest reading for three months. The earlier 'flash' reading for June was 51.4. Higher levels of production, new orders and employment all helped to boost the headline index, while an accelerated fall in stocks of purchases was the only negative influence.

June data signalled a marginal expansion of manufacturing output, following the decline recorded during the previous month. Greater production volumes reflected a sustained upturn in new business intakes. Although still weaker than the long-run survey average, the latest rise in new orders was the fastest since March. Reports from survey respondents suggested that heightened economic uncertainty and delayed decision making ahead of the presidential election had acted as a brake on client demand.

A rebound in export sales provided a boost to manufacturers' workloads in June. Moreover, the increase in new orders from abroad was the fastest since September 2014. This contributed to an upturn in backlogs of work across the manufacturing sector for the first time since the start of 2016.

Employment growth picked up further from the near three-year low recorded in April. However, the latest upturn in payroll numbers was still weaker than its post-crisis trend, which some firms linked to uncertainty regarding the business outlook. Manufacturers were also cautious in terms of the inventory management, with stocks of purchases falling at the fastest pace since January 2014. Moreover, post-production inventories declined for the fourth time in the past five months.

Supply chain pressures persisted in June, with the latest survey pointing to the greatest lengthening of lead-times since September 2015. Worsening supplier performance was attributed to capacity pressures and low stocks among suppliers. Meanwhile, input prices increased for the third month running in June. This contributed to a marginal rise in factory gate charges, with the rate of inflation edging up to its fastest since January.

Comment

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

"Although the manufacturing PMI ticked higher in June, the latest reading rounds off the worst quarter for goods producers for six years.

"The lacklustre performance of the manufacturing economy adds to signs from the flash services PMI surveys that the underlying pace of economic

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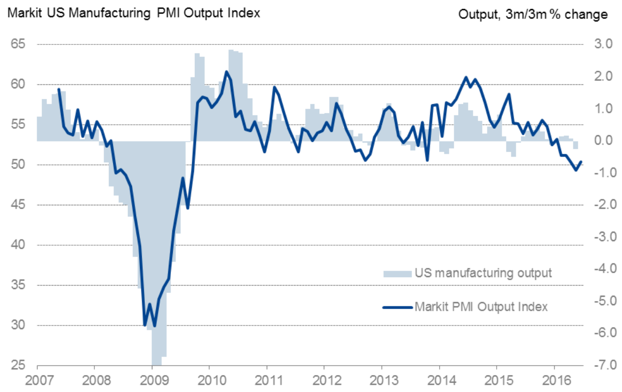
growth in the second quarter remained subdued after a disappointing start to the year.

"The upturn in the employment index suggests that firms may be expecting the recent bout of weak demand to be temporary, though hiring clearly remains subdued amid fragile business confidence.

"Producers are struggling in the face of the strong dollar, the energy sector decline and presidential election jitters. With companies craving certainty, heightened tensions between the UK and the European Union are likely to unsettle the global business environment further in coming months, and therefore risk dampening growth in the US and export markets. The data flow in the next two months will therefore be critical to policymakers in gauging the appropriate outlook for interest rates."

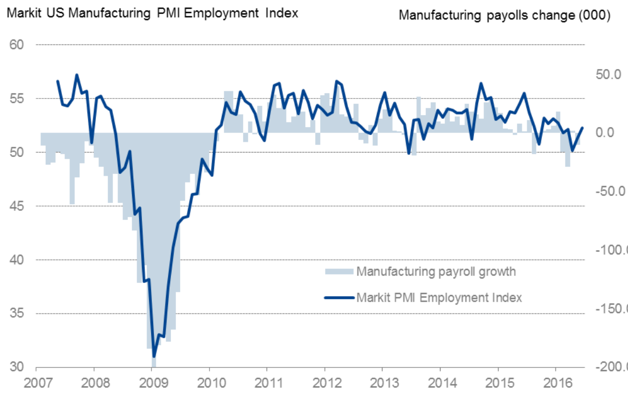
-Ends-

Manufacturing output



Sources: Markit, U.S. Federal Reserve.

Manufacturing employment



Sources: Markit, Bureau of Labor Statistics.

For further information, please contact:

Markit
Tim Moore, Senior Economist
Telephone +44-1491-461-067
Email tim.moore@markit.com

Ed Canaday, Corporate Communications
Telephone +1 646 679 3031
Mobile +1 917 434 5075
Email: ed.canaday@markit.com

Joanna Vickers, Corporate Communications
Telephone: +44-207-260-2234
Email: joanna.vickers@markit.com

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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.

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