

# News Release

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 0945 EDT 24 March 2014**

## Markit Flash U.S. Manufacturing PMI™

### Strong manufacturing output growth continues in March

**Key points:**

- Manufacturing PMI dips from 45-month high recorded in February, but signals robust growth
- Output and new orders rise sharply
- Employment increases for ninth month running

Data collected 12 – 21 March 2014.

U.S. manufacturing business conditions continued to improve at the end of the first quarter, as highlighted by the **Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**<sup>1</sup> registering 55.5 in March. The index, which is based on approximately 85% of usual monthly replies, was down from 57.1 in February but still the second-highest since January 2013. Reports from survey respondents cited improving economic fundamentals and, to a lesser degree, an on-going catch-up effect following weather disruptions earlier in the year.

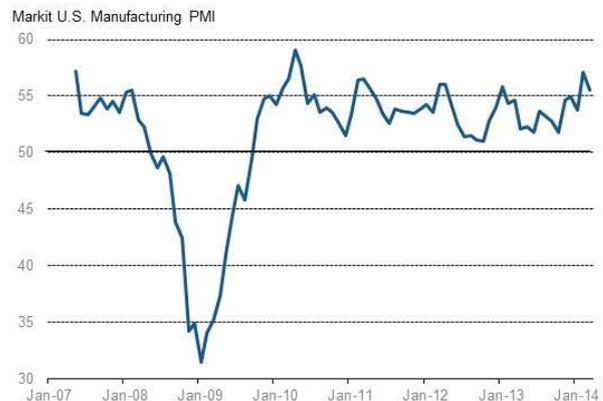
**Flash U.S. Manufacturing PMI™ Summary**

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

Index	Mar'14	Feb'14	Change signalled
PMI	55.5	57.1	Expansion, slower rate
Output	57.5	57.8	Expansion, slower rate
New Orders	58.0	59.6	Expansion, slower rate
New Export Orders	51.0	51.6	Expansion, slower rate
Employment	53.9	54.1	Expansion, slower rate
Backlogs of Work	54.8	57.9	Expansion, slower rate
Output Prices	51.6	52.3	Rise, slower rate
Input Prices	54.6	54.1	Rise, faster rate
Stocks of Purchases	50.8	50.6	Expansion, faster rate
Stocks of Finished Goods	47.3	47.0	Contraction, slower rate
Quantity of Purchases	55.2	55.6	Expansion, slower rate
Suppliers' Delivery Times	47.5	40.6	Lengthening, slower rate

*Source: Markit.*

**Markit U.S. Manufacturing PMI (seasonally adjusted)**



*Source: Markit.*

The headline U.S. Manufacturing PMI posted 55.4 on average over the first quarter of 2014, up from 53.8 in Q4 2013, to suggest that the sector remains on a solid growth trajectory. March data indicated that the overall index was supported by sharp rises in output (57.5) and new business (58.0).

Growth of manufacturing **production** was only slightly less marked than the near-three year high registered in February. Manufacturers noted that higher levels of output reflected rising volumes of **new work** and on-going efforts to reduce backlog accumulation at their plants. The latest increase in **work-in-hand** (but not yet completed) was less steep than the survey-record high seen in February, suggesting that some companies have started to fulfil orders that were disrupted by adverse weather earlier in the year.

March data suggested that subdued **export demand** weighed on overall new order growth in the manufacturing sector. Although new business from abroad rose for the second month in a row, the pace of expansion remained only marginal and was much weaker than for overall new orders.

A solid rate of **job creation** was sustained across the manufacturing sector in March. Staffing levels have increased in each month July 2013 and the

<sup>1</sup> 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.

rate of employment growth was stronger than seen on average over this period. Survey respondents widely linked staff recruitment to improving confidence about the business outlook and greater optimism about the prospects for the U.S. economy as a whole.

Meanwhile, there were signs in March that **supply chains** started to recover from adverse weather disruptions and subsequent bottlenecks earlier in the year. This was highlighted by the seasonally adjusted suppliers' delivery times index rising sharply over the month to its highest level since June 2013. Although the index remained below the neutral 50.0 threshold, the month-on-month index rise was the greatest since the survey began in May 2007.

A slower deterioration in vendor performance was achieved in March despite a robust expansion of **purchasing activity** across the manufacturing sector. Higher levels of input buying have now been recorded for five successive months. This in turn contributed to an increase in **stocks of purchases**. Although only marginal, the latest increase in pre-production inventories was the most marked since January 2013.

### Manufacturing output



Sources: Markit, U.S. Federal Reserve.

March data indicated a solid increase in **cost burdens** within the manufacturing sector, but the rate of inflation remained much slower than seen on average during the past five years. Relatively subdued cost pressures in turn contributed to only a marginal rise in **factory gate prices** during March. The latest increase in output charges was the slowest since September 2013.

### Manufacturing employment



Sources: Markit, Bureau of Labor Statistics.

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

*"The manufacturing PMI adds to evidence that the sector has shrugged off the weather-related weakness seen earlier the year, with strong demand encouraging firms to expand and hire new staff at a robust pace."*

*"The buoyant growth in March rounds off the best quarter for three years, indicating that the sector should provide a robust contribution to GDP in the first quarter. Growth was not as strong as February, but that's in many respects only to be expected after last month's numbers had been boosted by the rebound from January's severe weather. The fact that the output and new orders indices remained so strong in March is very encouraging news that the sector has come through the weather-related soft patch and continues to play an increasingly important role in the economic upturn."*

*"Particularly welcome was the sustained upturn in hiring, adding to evidence to suggest that firms' retain an upbeat outlook."*

*"One area of concern is the sluggish growth of exports, but this weakness is being more than offset by strong domestic demand."*

*"The survey is broadly consistent with manufacturing output rising at an annualised rate of approximately 4% in the first quarter and job creation in the sector running at around 10-15,000 per month. These are encouraging numbers that will no doubt add to the case for the Fed to continue reducing its asset purchases."*

-Ends-

## For further information, please contact:

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### Note to Editors:

Final March data are published on 1 April 2014.

Markit originally began collecting monthly *Purchasing Managers' Index*<sup>™</sup> (*PMI*<sup>™</sup>) 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*<sup>™</sup> (*PMI*<sup>™</sup>) 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](mailto:economics@markit.com).

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### About PMI

Purchasing Managers' Index<sup>™</sup> (*PMI*<sup>™</sup>) 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](http://www.markit.com/economics).

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