

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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Markit U.S. Services PMI™ – final data (with composite PMI™)

Service sector maintains sharp pace of expansion in August

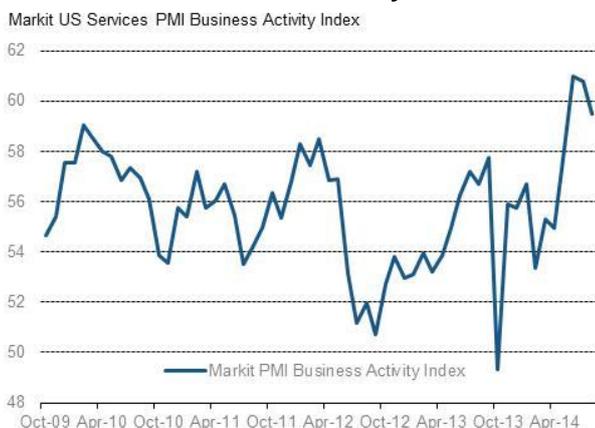
Key points:

- Strong rise in business activity, but rate of growth eases since July
- Payroll numbers increase further in August
- Input cost inflation picks up from July's 15-month low

Service providers indicated another month of strong output and new business gains in August, highlighting an ongoing rebound in operating conditions through the summer. Increased workloads and optimism towards the business outlook contributed to a further rise in service sector payroll numbers, which extended the current period of sustained employment growth to four-and-a-half years.

Adjusted for seasonal influences, the final **Markit U.S. Services Business Activity Index** registered 59.5 in August, down from 60.8 in July but still much higher than the neutral 50.0 value. Although pointing to the slowest rate of output expansion for three months, August's index reading was well above the average since the survey began in late-2009 (55.7).

Service sector business activity

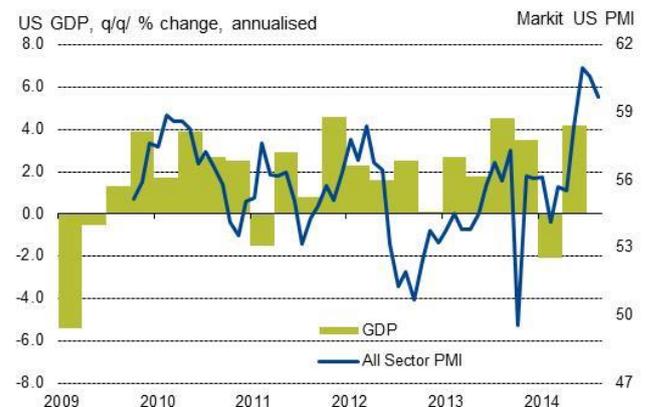


Sources: Markit.

The seasonally adjusted final **Markit U.S. Composite PMI™ Output Index** (covering manufacturing and services) registered 59.7 in

August, down from 60.6 in July and the lowest reading for three months. However, the index still signalled a strong pace of expansion that was well above the survey average (55.7). The U.S. manufacturing sector outperformed the service economy in terms of output growth in August (index at 60.7 vs. 59.5).

Markit U.S. Composite PMI™ Output Index



Source: Markit.

Survey respondents widely attributed the latest strong rise in business activity to improving domestic economic conditions and a corresponding upturn in clients' willingness to spend. August data indicated a robust increase in new business volumes and the rate of growth accelerated from the three-month low seen during July. Service providers' optimism towards the year-ahead business outlook also improved in August. Anecdotal evidence suggested that business confidence was boosted by rising underlying demand and hopes that the domestic economic recovery has become further entrenched.

Higher levels of new work led to a renewed rise in outstanding business across the service sector during August. Backlogs of work have now accumulated in three of the past four months and

the latest increase was the fastest since May.

Pressures on operating capacity and ongoing business development plans supported a further upturn in staffing levels within the service sector during August. The current period of sustained jobs growth stretched back to March 2010, and the latest increase in payroll numbers was broadly in line with the trend seen over this period.

Meanwhile, average cost burdens increased at a solid pace in August, with the rate of inflation picking up from July's 15-month low. A number of survey respondents cited rising transportation costs and food prices. Driven by higher costs, prices charged by service providers rose at the fastest pace since May.

Comment:

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

"US service providers enjoyed a bumper summer, with companies reporting continued upbeat trading conditions in August. Alongside the booming manufacturing economy, the surge in service sector growth puts the economy on course to grow by around 4% on an annualised basis in the third quarter, similar to the expansion seen in the second quarter.

"Firms are also still taking on staff in good numbers to meet further growth of demand, with the two PMI surveys suggesting non-farm payrolls should have risen by around 200,000 again in August.

"This begs the question of just how long policymakers will be comfortable with the economy growing at this pace before hiking interest rates to cool things down. The data certainly raise the prospect of the first rate rise coming earlier than the current expectation of the second quarter of next year."

-Ends-

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Note to Editors:

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 final U.S. Services *PMI* follows on from the flash estimate which 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 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 percentage of positive responses plus a half of the percentage 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 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.

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