

News Release

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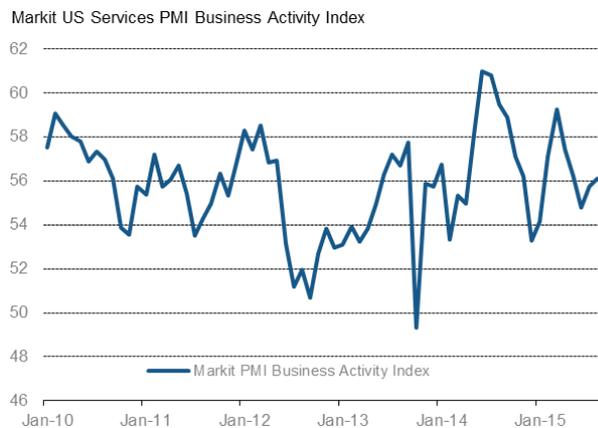
Markit U.S. Services PMI™ – final data (with composite PMI™)

Sharpest increase in service sector output for three months in August

Key points:

- Business activity expands at fastest pace since May...
- ...despite weakest rise in new work for three months
- Service providers' prices charged fall for the first time in over two years

Markit U.S. Services Business Activity Index



Source: Markit.

U.S. service providers indicated a sustained rebound in business activity and employment numbers during August. New business volumes increased at a solid pace, but the latest rise was the least marked for three months, with some firms noting that heightened economic uncertainty had weighed on client spending patterns. Meanwhile, lower fuel prices contributed to a further slowdown in input cost inflation during August and average prices charged by service providers fell for the first time since June 2013.

Adjusted for seasonal influences, the final **Markit U.S. Services Business Activity Index** posted 56.1 in August, above the earlier 'flash' reading (55.2) and up from 55.7 in July, to signal the sharpest pace of expansion since May. Moreover, the index has now registered above the 50.0 no-

change threshold for 22 consecutive months. Anecdotal evidence from survey respondents suggested that improving domestic economic conditions remained a key support to business activity growth in August.

At 55.7 in August (earlier flash reading: 55.0), the seasonally adjusted final **Markit U.S. Composite PMI™ Output Index** was unchanged since July, to signal a further robust pace of expansion. The average index reading so far in Q3 2015 is only fractionally lower than that seen in the second quarter (55.9). August data indicated that faster service sector output growth helped to offset a slower expansion of manufacturing production.

Markit U.S. Composite PMI™ Output Index



Source: Markit.

In contrast to the trend for business activity, service providers signalled a slowdown in new order growth from the three-month high recorded in July. Moreover, the latest expansion of incoming new work was the joint-weakest since January. A number of firms noted that the uncertain global business outlook had weighed on client spending patterns in August. Softer new business growth contributed to a

reduction in unfinished work at service sector companies for the second time in the past three months. Although only marginal, the latest decline in backlogs of work was the most marked since April 2014.

August data indicated another robust upturn in payroll numbers across the service economy, which marked five-and-a-half years of sustained job creation. Moreover, the latest rise in staff numbers was the fastest since May, which survey respondents linked to new product launches and increased workloads.

Meanwhile, service providers signalled a moderation in cost pressures during August, helped in part by lower fuel prices. The latest increase in overall input costs was the slowest since March. Average prices charged by service sector firms decreased in August and, although only marginal, the rate of decline was the fastest since November 2010.

Comment:

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

“The US economy is enjoying a solid third quarter, with robust survey readings so far pointing to 2.5% annualised GDP growth. Employment growth is also holding up well, with PMI surveys signalling another month of non-farm payroll growth in excess of 200,000 in August.

“Although the manufacturing sector has been struggling in the face of weak overseas demand and the stronger dollar, the more domestically-focused service sector clearly continues to fare well amid these headwinds and, due its size, is keeping the economy ticking along at a reasonable, albeit unspectacular, rate. It’s also reassuring to see business expectations about the year ahead rebound from the brief lull seen in July.

“However, while the economy has maintained robust growth momentum, inflationary pressures have abated, which will help the argument that interest rate hikes can be delayed. In fact, with the survey data showing average selling prices for goods and services to have fallen in August for the first time since 2010 and global economic concerns intensifying, the balance could easily tip towards the need for more stimulus.”

-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 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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