

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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Markit Flash U.S. Services PMI™

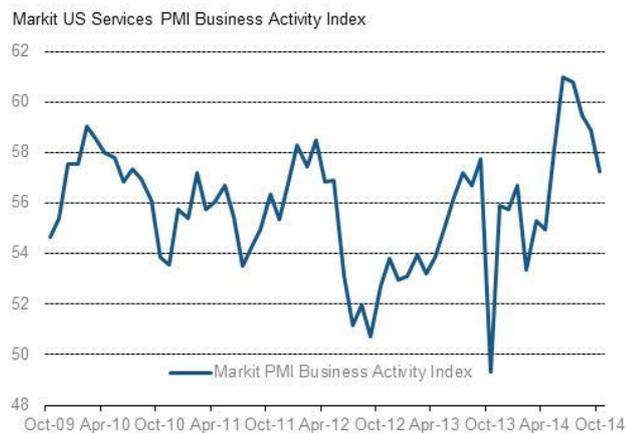
Service sector activity growth eases to six-month low in October

Key points:

- Weakest rise in service sector activity since April
- New business growth slips to three-month low
- Solid rate of job creation maintained in October

Data collected 13 – 24 October.

Service sector business activity (seasonally adjusted)



Sources: Markit

At 57.3 in October, down from 58.9 in September the **Markit Flash U.S. Services PMI™ Business Activity Index**¹ signalled the slowest rate of output growth for six months. The index – which is based on approximately 85% of usual monthly replies – remained well above the 50.0 mark that separates expansion from contraction, but the latest reading signalled a further moderation in overall activity growth from the post-crisis peak seen in June.

Service providers attributed higher levels of business activity to supportive domestic economic conditions and an associated upturn in incoming new work. However, in line with the trend for output levels, the rate of new business growth eased to a three-month low in October and was softer than the post-crisis high recorded in June.

October data pointed to a solid increase in unfinished work across the service sector, and the rate of backlog accumulation was only slightly less marked than September's survey-record high. Increased volumes of outstanding work were linked to sustained new business growth so far this year.

Service providers boosted their payroll numbers in response to rising sales volumes and pressures on operating capacity during October. The rate of job creation was unchanged from the three-month high seen in September.

The latest survey indicated that service sector companies remain upbeat about their prospects for activity growth over the year ahead. Around 44% of the survey panel anticipate a rise in output, while only 7% forecast a reduction. However, the degree of business confidence was the weakest since July and one of the lowest readings seen over the past two years. Some firms suggested that rising economic uncertainties and signs of softer sales growth in recent months had weighed on their business confidence during October.

Meanwhile, input cost inflation eased slightly across the service economy in October and was the least marked for three months. Average prices charged continued to rise at a solid pace, although the latest increase was slower than the five-month high registered in September.

Markit Flash U.S. Composite PMI™

The seasonally adjusted **Markit Flash U.S. Composite PMI Output Index** dropped from 59.0 in September to 57.4 in October. Although the index was still well above the neutral 50.0 threshold, the latest reading signalled the slowest pace of private sector output expansion since April. The composite index is based on original survey data from the Markit U.S. Services PMI and the Markit U.S. Manufacturing PMI.

Softer output growth has been recorded in each month since June's post-crisis peak, with the latest slowdown reflecting weaker rises in both

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.

manufacturing and service sector activity.

Comment:

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

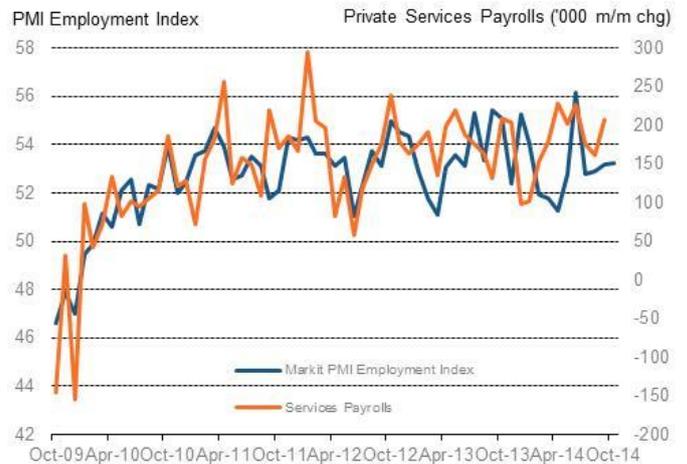
“The flash PMI survey data show the pace of economic growth easing for a fourth consecutive month in October. The weakened growth of new orders and downturn in business optimism suggest that growth and hiring could slow further in coming months.

“Having signalled an annualised rate of GDP growth of approximately 3.5% in the third quarter, the October readings indicate that the pace of economic growth looks set to moderate in the fourth quarter, down to perhaps 2.5% or less if the PMI falls further in coming months.

“There are clearly many concerns, ranging from worries about the impact of Ebola, the Ukraine crisis, the ongoing plight of the Eurozone, signs of further weakness in emerging markets and the Fed starting to tighten policy.

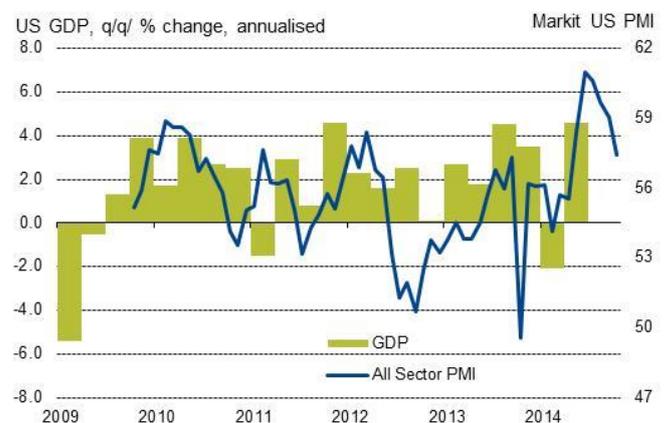
“We should not lose sight of the fact that the pace of growth nevertheless remains robust, having merely eased from very strong rates in prior months. The survey is also indicating another month of non-farm payroll growth in excess of 200,000 in October. This sustained strength should help alleviate recent worries about a sudden deterioration in the economy’s health. The pace of expansion appears to be easing only moderately.”

Services employment



Sources: Markit, U.S. Bureau of Labor Statistics.

Markit Composite PMI and U.S. GDP



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

-Ends-

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Note to Editors:

Final October data are published on 5 November 2014.

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 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'.

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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