News Release

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

U.S. service sector growth holds at post-recession high in July, but new business and employment both expand at slower rates

Key points:

- Services output growth unchanged from the series-record high seen in June
- Strong rise in new work, but the rate of growth eases to a three-month low
- Cost inflation moderates to 15-month low

Data collected 11 – 25 July.

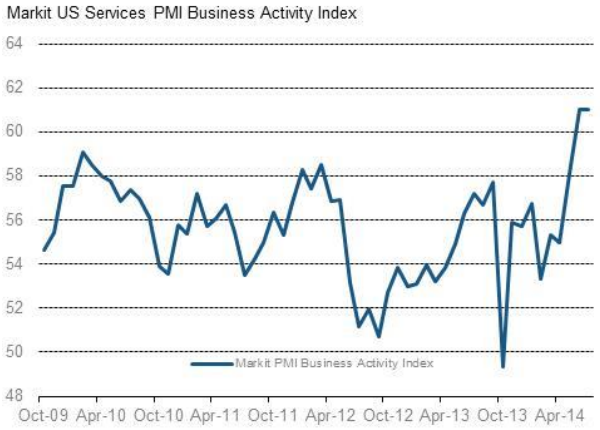
The seasonally adjusted **Markit Flash U.S. Services PMI™ Business Activity Index**[1] – which is based on approximately 85% of usual monthly replies – registered 61.0 in July, above the neutral 50.0 threshold and an unchanged reading from June's survey-record high.

July's survey therefore suggests a strong expansion of U.S. service sector business activity so far this summer, and a continued rebound in business conditions after snow disruptions at the start of the year. That said, service providers indicated a moderation in new business growth and weaker job creation than the highs registered in June.

New business growth eased for the first time in four months during July, after reaching its fastest in almost five years of data collection. The latest survey also pointed to a renewed reduction in backlogs of work across the service sector, with some firms citing reduced pressure on operating capacity at their units. A slight drop in unfinished work in July contrasted with a moderate increase in backlogs during the previous two months.

Service providers indicated an overall rise in payroll numbers during July, continuing the upward trend recorded for almost four-and-a-half years. However, the rate of job creation eased markedly from the survey-record high seen in June. Companies that boosted their staffing levels generally commented on sustained increases in their volumes of new work. However, some survey respondents noted a degree of caution about the business outlook.

Service sector business activity (seasonally adjusted)



Sources: Markit

July data indicated a moderation in service providers' expectations for business activity over the year ahead. Although still well inside positive territory, the degree of service sector optimism eased to its lowest since November 2012.

Meanwhile, input price inflation subsided during July, with the latest rise in overall cost burdens the weakest since April 2013. A relatively subdued rate of cost inflation contributed to a slower rise in service providers' output charges in July. Latest data indicated that average tariffs increased for the thirteenth successive month, but the pace of inflation was only marginal and the weakest seen over this period.

Markit Flash U.S. Composite PMI™

At 60.9 in July, the seasonally adjusted **Markit Flash U.S. Composite PMI Output Index** was little-changed from 61.0 in June and close to its highest since the series began in October 2009. However, latest data indicated the least marked

[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.

rises in new business volumes and payroll numbers for three months. Meanwhile, input price inflation across the manufacturing and service sectors combined was the slowest since March.

The composite index is based on original survey data from the Markit U.S. Services PMI and the Markit U.S. Manufacturing PMI.

Comment:

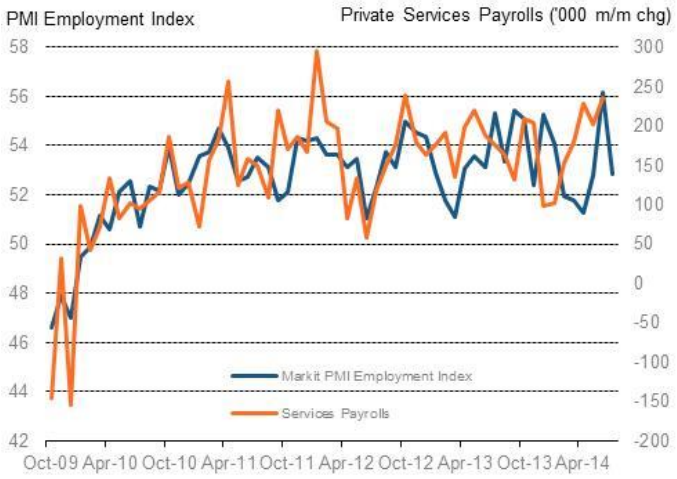
Commenting on the flash PMI data, **Tim Moore, senior economist at Markit** said:

"July's survey highlights another positive month for the U.S. service sector, with output growth remaining at a post-crisis high and the trend mirroring strong gains reported by manufacturers so far this summer. As a result, latest PMI figures provide an early signal that robust growth momentum has been sustained into the third quarter, setting the U.S. economy firmly on course to recover some of the ground lost earlier in the year.

"While a cyclical upswing appears underway across the service sector, the latest survey provides some indication that a smoother ride is not yet fully entrenched. Service providers saw new business gains slip to a three-month low, while payroll growth moderated since June amid a drop in confidence towards the year-ahead business outlook.

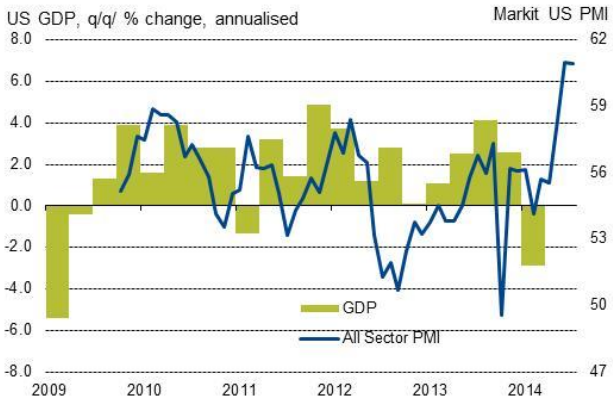
"Nonetheless, service sector companies continue to perform strongly against post-recession trends, and overall the latest manufacturing and services PMI surveys suggest that the US economy has enjoyed a strong start to the second half of 2014."

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.

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Note to Editors:

Final July data are published on 5 August 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 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'.

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.

About Markit
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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.