

News Release

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

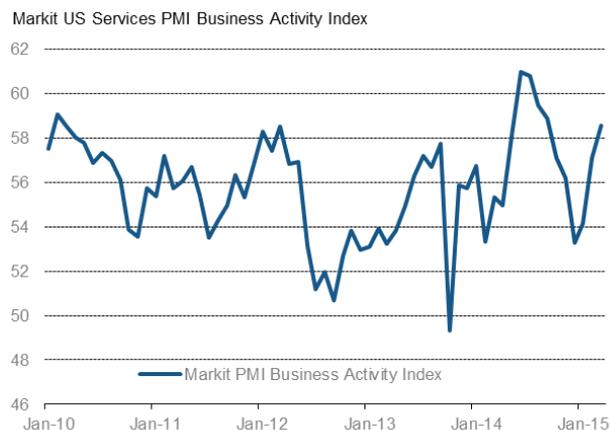
Sharpest rise in U.S. service sector business activity for six months in March

Key points:

- Service sector output growth accelerates to its strongest since September 2014
- Payroll numbers at service sector companies increase at fastest pace for nine months...
- ...but confidence towards the business outlook eases to its lowest since June 2012

Data collected 12 – 25 March.

Service sector business activity (seasonally adjusted)



Sources: Markit

At 58.6 in March, up from 57.1 in February, the seasonally adjusted **Markit Flash U.S. Services PMI™ Business Activity Index**¹ – which is based on approximately 85% of usual monthly replies – signalled a robust and accelerated expansion of service sector output. Moreover, the latest index reading was well above the survey average (55.8) and pointed to the sharpest increase in business activity since September 2014. Survey respondents noted that improving economic conditions, stronger consumer confidence and the launch of new products all helped to boost activity levels in March.

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.

March data indicated a strong and accelerated expansion of incoming new work across the U.S. service sector. The latest increase in new business was the fastest for six months and stronger than the average for 2014 as a whole. Greater workloads contributed to a solid rise in unfinished business at service providers in March, with the rate of backlog accumulation the steepest since last November.

Service sector payroll numbers increased again in March, which extended the current period of job creation to just over five years. Moreover, the rate of employment growth picked up for the third month running to its fastest since June 2014. Anecdotal evidence linked staff recruitment to rising business activity and sustained improvements in client demand.

Despite stronger output and new business growth during March, the latest survey pointed to a moderation in service providers' optimism towards the business outlook. The proportion of service sector companies expecting a rise in business activity over the next 12 months was the lowest since June 2012.

Meanwhile, input price inflation remained modest in March, helped by subdued fuel and energy costs. That said, the overall rate of inflation picked up slightly since February and reached a three-month high. Average prices charged by service providers increased for the twenty-first month running, but the latest rise was only marginal.

Markit Flash U.S. Composite PMI™

Adjusted for seasonal influences, the **Markit Flash U.S. Composite PMI Output Index** posted 58.5 in March, up from 57.2 in February and the highest reading since September 2014. Sharper U.S. private sector growth reflected an accelerated rise in both services and manufacturing output.

The latest survey also pointed to sustained payroll growth across the private sector, with the rate of expansion the steepest for four months.

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, **Chris Williamson, chief economist at Markit** said:

“The US economy is showing signs of regaining momentum after the slowdown seen at the turn of the year. The flash PMI surveys are registering faster growth of both service sector and factory activity at the end of the first quarter, as well as ongoing strong hiring.

“While the surveys signal that economic growth will have slowed in the first quarter from an already-modest 2.2% pace seen in the final quarter of last year, the upturn in the surveys in March provides a clear advance indication that stronger economic growth will return in the second quarter.

“While weak economic data for the first quarter will keep Fed rate hikes at bay in coming months, ruling out a June hike, the upturn in second quarter GDP signalled by the recent PMI data ups the odds of interest rates starting to rise at the September FOMC meeting.”

-Ends-

Markit Composite PMI and U.S. GDP



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

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Note to Editors:

Final March data are published on 6 April 2015.

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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