

News Release

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

Weakest upturn in manufacturing business conditions since September 2009

Key points:

- U.S. Manufacturing PMI eases to its lowest for just over six-and-a-half years in April
- Production volumes close to stagnation amid renewed slowdown in new business growth
- Weakest rise in manufacturing employment since June 2013

Data collected 12 – 21 April 2016.

Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: Markit.

At 50.8 in April, down from 51.5 in March, the seasonally adjusted **Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**¹ signalled the weakest upturn in overall business conditions since September 2009. The flash PMI index, which is based on approximately 85% of usual monthly survey replies, was only marginally above the crucial 50.0 no-change threshold. As a result, the headline figure was

slightly weaker than the previous post-crisis low recorded in October 2012 (51.0). Softer rates of manufacturing output and new business growth, alongside a weaker rise in staffing numbers, were the main factors weighing on the headline PMI figure during April.

The latest upturn in **production** levels was only fractional and the slowest recorded by the survey since the recovery began in October 2009. Manufacturers cited generally subdued demand conditions, delays to spending decisions among clients and ongoing weakness within the energy sector.

April data pointed to a renewed slowdown in **new business** growth, with the latest expansion the least marked so far in 2016. Some survey respondents suggested that uncertainty in relation to the economic outlook and political climate had weighed on client spending in April. Moreover, **export sales** continued to act as a drag on overall new business volumes. Although only modest, the latest survey pointed to the sharpest drop in new work from abroad since November 2014.

Backlogs of work fell for the third successive month in April, thereby suggesting a lack of pressure on operating capacity across the manufacturing sector. The latest decrease in work-in-hand (but not yet completed) was the fastest for just over six-and-a-half years. This contributed to a near-stalling of jobs growth among manufacturing firms in April, with the latest rise in payroll numbers only fractional and the weakest since June 2013.

Manufacturers indicated that tighter inventory management strategies persisted in April, led by the sharpest drop in **stocks of purchases** since the start of 2014. At the same time, **post-**

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 Report on Business. No information from the ISM survey is used in the production of Markit's PMI.

production inventories decreased at a moderate pace and manufacturers recorded a renewed fall in **purchasing activity**. Despite softer demand for inputs, latest data signalled the sharpest deterioration in **vendor performance** since September 2015, which some survey respondents linked to insufficient stocks and capacity cuts among suppliers.

Average cost burdens increased slightly in April, thereby ending a seven-month period of sustained input price declines. Manufacturers noted that higher labor costs and rising prices for metals and plastics had contributed to the overall increase in their cost burdens.

Factory gate charges decreased for the third month running in April, albeit at only a marginal pace. Companies that reported a drop in their output charges generally cited subdued market conditions and corresponding pressure on operating margins.

Comment:

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

“US factories reported their worst month for just over six-and-a-half years in April, dashing hopes that first quarter weakness will prove temporary.

“Survey measures of output and order book backlogs are down to their lowest since the height of the global financial crisis, prompting employers to cut back on their hiring.

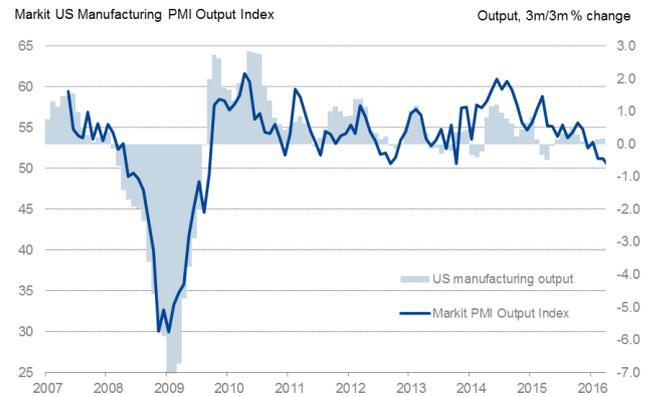
“The survey data are broadly consistent with manufacturing output falling at an annualized rate of over 2% at the start of the second quarter, and factory employment dropping at a rate of 10,000 jobs per month.

“With prior months’ survey data pointing to annualized GDP growth of just 0.7% in the first quarter, the deteriorating performance of manufacturing suggests that growth could weaken closer towards stagnation in the second quarter.

“The survey responses reveal an increase in business uncertainty in relation to both the economic and political outlook during the month, which is weighing on spending and investment decisions and exacerbating already-weak demand both at home and abroad.”

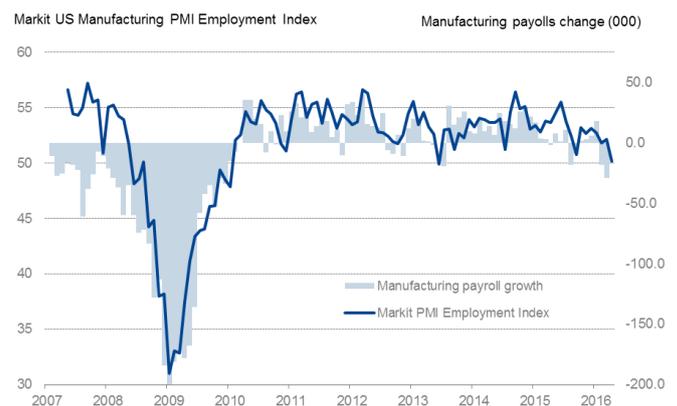
-Ends-

Manufacturing output



Sources: Markit, U.S. Federal Reserve.

Manufacturing employment



Sources: Markit, Bureau of Labor Statistics.

For further information, please contact:

Markit

Tim Moore, Senior Economist
Telephone +44-1491-461-067
Mobile +44-780-972-1666
Email tim.moore@markit.com

Ed Canaday, Corporate Communications
Telephone +1 646 679 3031
Mobile +1 917 434 5075
Email: ed.canaday@markit.com

Joanna Vickers, Corporate Communications
Telephone: +44-207-260-2234
Email: joanna.vickers@markit.com

Note to Editors:

Final April data are published on 2 May 2016.

Markit originally began collecting monthly *Purchasing Managers' Index™ (PMI™)* data in the U.S. in April 2004, initially from a panel of manufacturers in the U.S. electronics goods producing sector. In May 2007, Markit's U.S. PMI research was extended out to cover producers of metal goods. In October 2009, Markit's U.S. Manufacturing PMI survey panel was extended further to cover all areas of U.S. manufacturing activity. Back data for Markit's U.S. Manufacturing PMI between May 2007 and September 2009 are an aggregation of data collected from producers of electronic goods and metal goods producers, while data from October 2009 are based on data collected from a panel representing the entire U.S. manufacturing economy. Markit's total U.S. Manufacturing PMI survey panel comprises over 600 companies.

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 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'.

The *Purchasing Managers' Index™ (PMI™)* is a composite index based on five of the individual indexes with the following weights: New Orders – 0.3, Output – 0.25, Employment – 0.2, Suppliers' Delivery Times – 0.15, Stocks of Items Purchased – 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

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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