

## News Release

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:45 (EDT) / 13:45 (UTC) June 1<sup>st</sup> 2016**

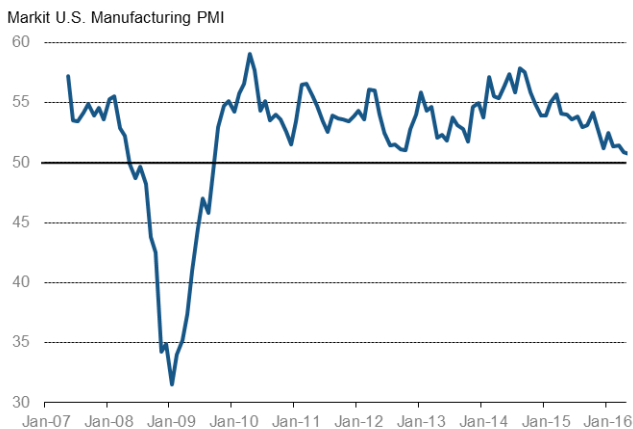
### Markit U.S. Manufacturing PMI™ – final data

#### Weakest manufacturing performance for over six-and-a-half years

##### Key points:

- Output falls for the first time since September 2009
- New work expands at slowest pace since December 2015
- Input cost inflation accelerates to a nine-month high

##### Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: Markit.

##### Summary

May data pointed to another loss of momentum across the U.S. manufacturing sector. New business growth eased to its weakest so far in 2016, which contributed to a decline in production volumes for the first time in over six-and-a-half years. Survey respondents noted that subdued client demand and heightened economic uncertainty had resulted in challenging trading conditions. Manufacturing payroll numbers nonetheless picked up slightly in May, which firms linked to new product launches and sustained optimism regarding the longer-term business outlook.

At 50.7 in May, the seasonally adjusted **Markit U.S. Manufacturing Purchasing Managers' Index™ (PMI™)** was down fractionally from 50.8 in April and pointed to the weakest manufacturing performance since September 2009. Lower production levels were

the main downward influence on the headline PMI in May. Although only marginal, this was the first overall reduction in manufacturing output recorded by the survey for more than six-and-a-half years. Anecdotal evidence suggested that softer new order growth and efforts to rein in inventory accumulation had exerted negative influences on production schedules.

The latest survey highlighted only a modest increase in new business intakes, with the pace of expansion easing to a five-month low. Manufacturers cited a range of factors acting to dampen client spending, including weak capital investment across the energy sector, uncertainty related to the presidential election and generally subdued economic conditions. Added to this, a marginal drop in export sales also weighed on overall new business growth in May.

A slower upturn in new orders enabled another reduction in backlogs of work during May. Despite little sign of pressure on operating capacity, the latest survey signalled a marginal rise in payroll numbers and the rate of jobs growth picked up slightly from April's near three-year low. Additional staff hiring was linked to new product launches and longer-term expansion plans.

Manufacturers continued to report cautious inventory strategies during May, leading to a fall in stocks of purchases for the sixth month running. Post-production inventories rose slightly, but this was partly linked to weaker than expected sales.

Input cost inflation remained modest in comparison to its post-crisis trend, despite accelerating to the fastest since August 2015. There were widespread reports citing higher steel prices in May. At the same time, factory gate charges were broadly unchanged, which ended a three-month period of price discounting.

##### Comment

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

*"The survey data indicate that factory output fell in May at its fastest rate since 2009, suggesting that manufacturing is acting as a severe drag on the*

economy in the second quarter. Payroll numbers are under pressure as factories worry about slower order book growth, in part linked to falling export demand but also as a result of growing uncertainty surrounding the presidential election.

“For those looking for a rebound in the economy after the lacklustre start to the year, the deteriorating trend in manufacturing is not going to provide any comfort.”

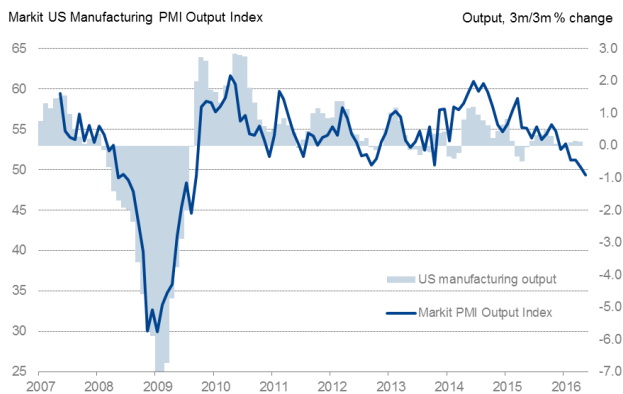
-Ends-

## Manufacturing employment



Sources: Markit, Bureau of Labor Statistics.

## Manufacturing output



Sources: Markit, U.S. Federal Reserve.

### For further information, please contact:

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### Note to Editors:

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 **final** U.S. manufacturing PMI follows on from the **flash** estimate which is released a week earlier and 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](mailto: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](http://www.markit.com/economics).

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