News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0945 (EST) / 1445 (UTC) December 15th 2016

Markit Flash U.S. Manufacturing PMI™

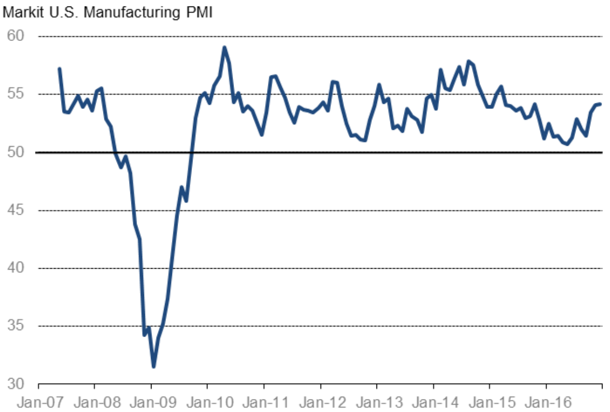
Manufacturing sees strong year-end amid survey-record stock building

Key findings:

- Manufacturing PMI hits 21-month high during December
- Stocks of inputs accumulated at the fastest pace since the survey began in May 2007
- Robust rises in output, new orders and jobs

Data collected from 6-14 December 2016

Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: IHS Markit.

U.S. manufacturers reported a strong end to 2016, with business conditions improving at the fastest pace since March 2015. At 54.2 in December, up fractionally from 54.1 in November, the seasonally adjusted **Markit Flash U.S. Manufacturing *Purchasing Managers' Index*™ (*PMI*™)**[1] continued its recovery from the post-crisis low seen in May (50.7).

The headline PMI signalled a robust improvement in manufacturing sector business conditions, with faster job creation and stock building offsetting slight moderations in output and new order growth since November. Moreover, the latest rise in pre-production inventories was the strongest recorded since the survey began in May 2007. Manufacturers noted that greater stock accumulation reflected stronger optimism towards the demand outlook, alongside faster-than-expected new order growth in recent months.

Manufacturing output expanded for the seventh consecutive month in December, thereby signalling a sustained rebound from the soft patch seen in the second quarter of 2016. The rate of production growth nonetheless eased from October's 20-month peak. Survey respondents noted that greater sales and efforts to replenish inventories had driven up production volumes at the end of 2016. Reflecting this, **stocks of finished goods** rose for the third month running, and at the most marked pace since March 2015.

December data revealed a further robust upturn in **new work** received by manufacturers, with the pace of expansion holding close to the 20-month high seen in November. This was overwhelmingly attributed to improving domestic demand conditions. Meanwhile, **export sales** were close to stagnation, which contrasted with the modest growth seen on average in the second half of 2016.

Improving business conditions led to increased **staff hiring** across the manufacturing sector in December. The rate of job creation was the steepest for a year-and-a-half, which helped to alleviate pressures on operating capacity. As a result, the latest rise in **backlogs of work** was only marginal and the smallest for three months.

Greater **purchasing activity** continued during December, which marked eight months of sustained expansion. The latest upturn in input buying was

[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.

linked to increased production schedules and efforts to boost inventories, as highlighted by the survey-record rise in stocks of purchases. Despite robust demand for inputs, latest data signalled that **suppliers' delivery times** were broadly unchanged since the previous month.

Input price inflation accelerated for the third time in the past four months during December. Moreover, the latest increase in average cost burdens was the largest since October 2014. Manufacturers cited higher steel prices in particular, alongside generally rising raw material costs, including oil. This contributed to an upturn in **factory gate charges** for the third successive month, although the rate of inflation remained only modest.

Comment

Commenting on the flash PMI data, Chris Williamson, Chief Business Economist at IHS Markit said:

"US manufacturing is enjoying a strong end to 2016, showing further signs of pulling out of the soft-patch seen earlier in the year and putting the sector on the starting blocks ready for a further upturn as we move into 2017.

"The fourth quarter has seen the strongest PMI readings for one-and-a-half years, suggesting the goods-producing sector is growing at an annualised rate of 2-2.5%.

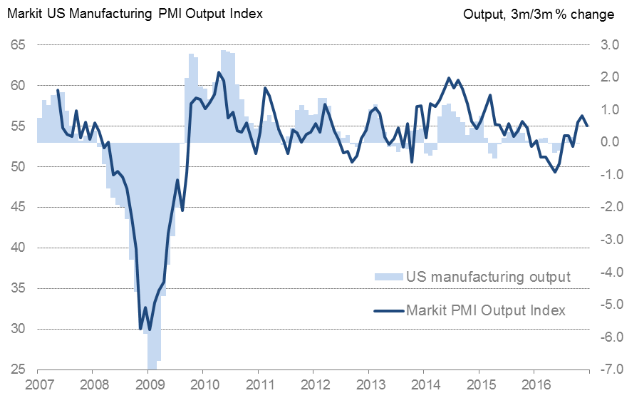
"A buoyant domestic market, reflecting a combination of rising consumer demand and inventory building, is helping offset export woes caused by the strong dollar.

"Companies are gearing up for further growth in coming months: employment is rising at the fastest rate for 18 months and purchasing activity has likewise been ramped up in preparation for higher production. Confidence among producers has clearly improved, setting the scene for a good start to 2017.

"The upturn is being accompanied by rising costs, linked mainly to global commodity prices lifting higher. The combination of solid growth and rising price pressures adds to the likelihood of further Fed action in 2017, with three more quarter point hikes anticipated next year by IHS Markit."

-Ends-

Manufacturing output



Sources: IHS Markit, U.S. Federal Reserve.

Manufacturing employment

Sources: IHS Markit, Bureau of Labor Statistics.

News Release

For further information, please contact:

IHS Markit
Tim Moore, Senior Economist
Telephone +44-1491-461067
Email tim.moore@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44207 260 2234
E-mail joanna.vickers@ihsmarkit.com

Note to Editors:

Final December data are published on 3 January 2017.

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 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'.

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.

About IHS Markit (www.ihsmarkit.com)
IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

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.