News Release

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

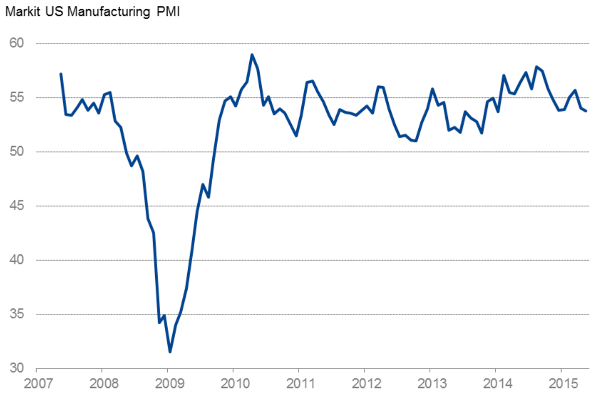
Manufacturing PMI eases to 16-month low in May

Key points:

- U.S. manufacturing output growth weakens for the second month running in May
- Slowest rise in new orders since January 2014
- Robust pace of job creation maintained in May
- Input costs rise for the first time in 2015 so far

Data collected 12 – 20 May 2015.

Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: Markit.

At 53.8 in May, the seasonally adjusted **Markit Flash U.S. Manufacturing *Purchasing Managers' Index*™ (*PMI*™)**[1] fell from 54.1 in April and signalled the weakest improvement in overall business conditions since the start of 2014. Slower new order growth was a key factor weighing down on the headline index in May, while faster job creation was the main positive development since the previous month.

Latest data indicated that overall new business growth softened for the second month running and was the weakest since January 2014. Moreover, new export sales decreased marginally in May, with a number of manufacturers noting that the strong dollar had a negative influence on competitiveness in external markets. In terms of domestic demand, survey respondents noted that energy sector investment spending remained a key area of weakness in May.

Manufacturing output growth eased further from March's six-month high, which firms largely attributed to softer new business gains. The latest increase in output volumes was the slowest recorded so far in 2015, but still broadly in line with the post-recession average.

Meanwhile, latest data signalled the slowest pace of backlog accumulation across the manufacturing sector for four months. Lower pressure on operating capacity was linked to a combination of weaker new business gains and robust job creation.

Higher levels of manufacturing employment have been recorded in each month since July 2013. The latest upturn in payroll numbers was the fastest for six months, which firms attributed to the launch of new products, long-term investment plans and efforts to boost production volumes.

Suppliers' delivery times lengthened in May, although the latest deterioration in vendor performance was much less marked than February's recent low. There were reports that some supplier bottlenecks have persisted after the port strikes earlier in 2015. However, the latest survey indicated the slowest rise in pre-production inventories for 11 months, suggesting a lower propensity among manufacturers to build safety stocks in May.

On the prices front, manufacturers indicated an increase in their average cost burdens for the first time since December 2014. That said, the rate of inflation was only marginal, with survey respondents noting that low oil prices continued to help reduce cost pressures, while a number of firms commented on falling steel prices. Meanwhile, factory gate charges rose at the most marked pace for six months, but the rate of inflation remained subdued in comparison to the average seen since the survey began in 2007.

[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.

Comment:

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

"Manufacturers reported their weakest growth since the start of 2014 in May, with the survey results adding to fears that the strong dollar is weighing on the US economy and hitting corporate earnings. Although falling only modestly, export sales have now dipped for two straight months, something not seen for two years and a far cry from the solid export performance seen this time last year. Overall order books are consequently growing at the slowest rate seen since the start of last year.

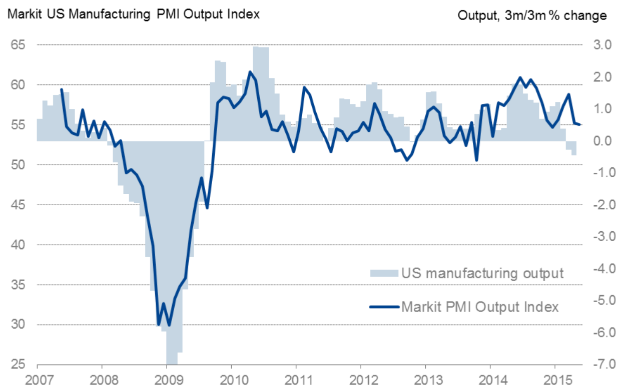
"The weaker order book trend doesn't appear to have affected hiring, at least not yet, with job creation picking up in May. However, unless production growth revives there is a worry that payroll growth will slow as companies seek to boost productivity.

"Higher oil prices are meanwhile pushing up firms' input costs for the first time so far this year, but producers seem to have been able to pass the increase on to customers. However there are few signs of any significant upturn in inflation.

"Despite signs of price pressures picking up, the survey is likely to encourage policymakers to err on the side of caution, especially in relation to any further damaging impact of the stronger dollar on growth and earnings if policy were to be tightened. Any decision on hiking interest rates is therefore likely to be put off until later in the year."

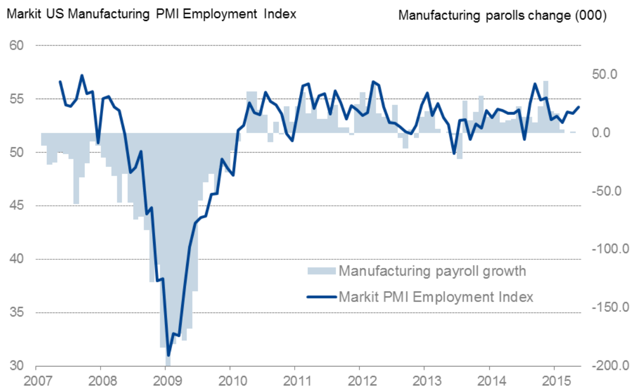
-Ends-

Manufacturing output



Sources: Markit, U.S. Federal Reserve.

Manufacturing employment



Sources: Markit, Bureau of Labor Statistics.

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Note to Editors:

Final May data are published on 1 June 2015.

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 Markit
Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ over 3,500 people in 10 countries. Markit shares are listed on NASDAQ under the symbol MRKT. For more information, please see www.markit.com

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.