

# News Release

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 0945 EDT 1 July 2014**

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

### Strongest improvement in business conditions for over four years

#### Key points:

- Output and new orders rise at fastest pace since April 2010
- Job creation hits four-month high
- Robust increase in average cost burdens

#### Summary

U.S. manufacturers indicated a further rebound in business conditions at the end of the second quarter, driven by the fastest expansions of output and new orders for over four years. Stronger client demand in turn spurred an upturn in payroll numbers and a robust rise in purchasing activity across the sector. Meanwhile, input cost inflation hit a five-month high and supplier lead-times lengthened to the greatest degree since the weather-related disruptions seen at the start of the year.

#### Final U.S. Manufacturing PMI™ Summary

50.0 = no-change on previous month (seasonally adjusted)

Index	Jun'14	May'14	Change signalled
PMI	<b>57.3</b>	56.4	Expansion, faster rate
Output	<b>61.0</b>	59.6	Expansion, faster rate
New Orders	<b>61.2</b>	58.8	Expansion, faster rate
New Export Orders	<b>50.6</b>	52.2	Expansion, slower rate
Employment	<b>54.0</b>	53.7	Expansion, faster rate
Backlogs of Work	<b>56.0</b>	56.0	Expansion, unchanged rate
Output Prices	<b>52.1</b>	50.4	Rise, faster rate
Input Prices	<b>57.6</b>	56.4	Rise, faster rate
Stocks of Purchases	<b>49.7</b>	52.0	Decline, change of direction
Stocks of Finished Goods	<b>45.2</b>	47.9	Decline, faster rate
Quantity of Purchases	<b>57.9</b>	59.2	Expansion, slower rate
Suppliers' Delivery Times	<b>46.8</b>	47.1	Lengthening, faster rate

Source: Markit.

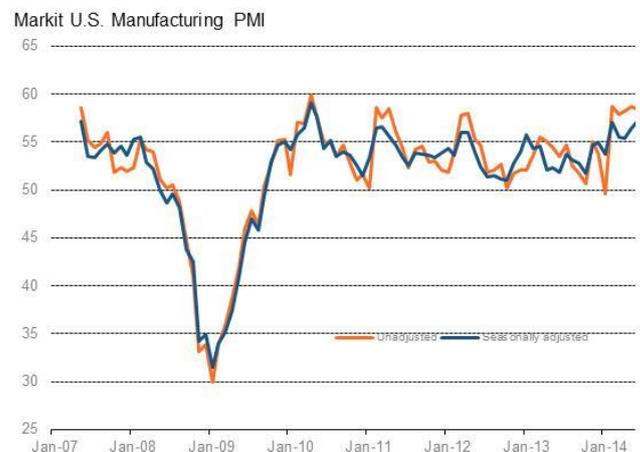
Index readings above 50.0 signal an increase or improvement on the prior month, while readings below 50.0 indicate a decrease.

The headline figure derived from the survey is the Markit U.S. Manufacturing *Purchasing Managers' Index™ (PMI™)*, which is designed to signal changes in prevailing business conditions in the manufacturing sector. PMI readings above 50.0 signal an improvement in business conditions, while readings below 50.0 signal deterioration.

At 57.3 in June, up from 56.4 in May, the final seasonally adjusted **Manufacturing PMI** was the highest since May 2010 and signalled a strong improvement in overall business conditions. The average PMI reading in the second quarter of 2014 (56.4) was the strongest recorded for four years.

June data indicated that output growth accelerated for the third month running, supported by a steep rise in new business volumes. The latest expansion of overall new work was much sharper than that seen in May, despite new export order growth easing to a five-month low. A number of survey respondents commented on improved demand from domestic clients in line with stronger underlying economic conditions.

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



Source: Markit.

Manufacturers pointed to a robust and accelerated decline in finished goods inventories in June, with the pace of contraction the fastest for five months.

Stocks of purchases also decreased in June, with survey respondents mostly linking reduced inventories to stronger than expected sales volumes.

Increased production levels resulted in a robust rise in input buying during June, alongside a further expansion of workforce numbers. The latest upturn in manufacturing employment was the fastest for four months.

Stronger demand for raw materials contributed rising input prices and the sharpest deterioration in supplier performance since February. The latest increase in average cost burdens was the most marked since the start of the year.

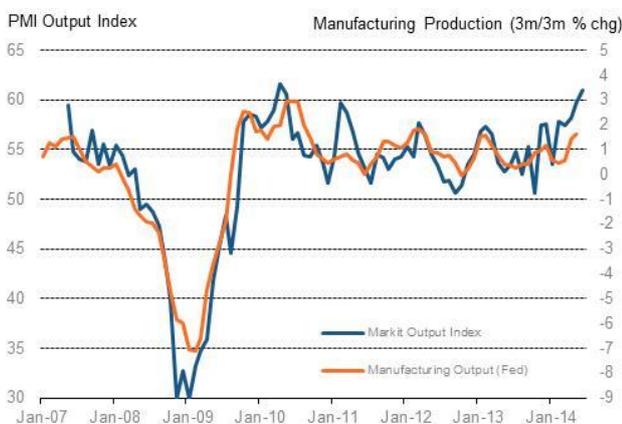
Meanwhile, manufacturers signalled a moderate increase in factory gate charges, with the pace of inflation picking up from May's 21-month low. Higher output prices have been recorded since September 2012, driven by sustained rises in input costs.

### Company size and sector analysis

Medium-sized manufacturers (100- 499 employees) saw the strongest improvement in business conditions during June, while small-sized manufacturers (1-99 employees) recorded the least marked upturn in overall operating conditions.

All three market groups registered an improvement in business conditions in June, led by intermediate goods producers. Solid rates of job creation continued in June. Investment goods producers recorded the sharpest increase in payroll numbers during the latest survey period.

### Manufacturing output



Sources: Markit, U.S. Federal Reserve.

### Manufacturing employment



Sources: Markit, Bureau of Labor Statistics.

### Comment

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

*“Business was booming at US goods producers in June. Factory output, order books and payroll numbers rose at some of the fastest rates we’ve seen since the recession, rounding off the best quarter for four years in terms of manufacturing expansion.”*

*“Manufacturing may account for only 13% of US GDP, but the sheer pace at which the sector is growing means it will have provided a major boost to the economy in the second quarter. Importantly, factory activity remains an important bellwether for the performance of the rest of the economy. We therefore expect GDP to rise at annualised rate in excess of 3%, more than reversing the contraction seen in the first quarter,*

*“Export performance, however, remains a real disappointment, and trade will likely act as a drag on the economy again in the second quarter. If worries about tighter policy from the Fed start to dampen domestic demand at the same time as exporters are struggling, growth could slow again in the second half of the year.”*

-Ends-

## For further information, please contact:

### Markit

Chris Williamson, Chief Economist  
Telephone +44-20-7260-2329  
Mobile +44-779-555-5061  
Email [chris.williamson@markit.com](mailto:chris.williamson@markit.com)

Tim Moore, Senior Economist  
Telephone +44-1491-461-067  
Email [tim.moore@markit.com](mailto:tim.moore@markit.com)

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

Alex Paidas, Corporate Communications  
Telephone +1-212-205-7101  
Mobile +1-646-246-4889  
Email [alex.paidas@markit.com](mailto:alex.paidas@markit.com)

## Note to Editors:

Markit originally began collecting monthly *Purchasing Managers' Index*<sup>™</sup> (*PMI*<sup>™</sup>) 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*<sup>™</sup> (*PMI*<sup>™</sup>) 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).

### 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 3,000 people in 11 countries. For more information, please see [www.markit.com](http://www.markit.com)

### About PMI

Purchasing Managers' Index<sup>™</sup> (*PMI*<sup>™</sup>) 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](http://www.markit.com/economics).

The intellectual property rights to the U.S. Manufacturing PMI<sup>™</sup> provided herein are owned by or licensed to Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index<sup>™</sup> and PMI<sup>™</sup> are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Markit is a registered trade mark of Markit Group Limited.