

# News Release

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 0945 EDT 26 March 2014**

## Markit Flash U.S. Services PMI™

### Service sector activity growth rebounds in March, but new business rises at slowest pace for 16 months

**Key points:**

- Solid expansion of service sector output
- New business growth eases for the third month in a row
- Jobs growth unchanged from 11-month low recorded in February

Data collected 12 – 25 March.

At 55.5 in March, the headline seasonally adjusted **Markit Flash U.S. Services PMI™ Business Activity Index<sup>1</sup>** picked up sharply from February's four-month low (53.3). The latest 'flash' PMI reading, which is based on approximately 85% of usual monthly replies, was above the neutral 50.0 value for the fifth consecutive month and signalled a solid overall pace of output growth.

Nonetheless, reports from survey respondents suggested that stronger growth of business activity in March partly reflected a catch-up effect after disruptions related to extreme weather conditions during the previous month.

#### Flash U.S. Services PMI™ Summary

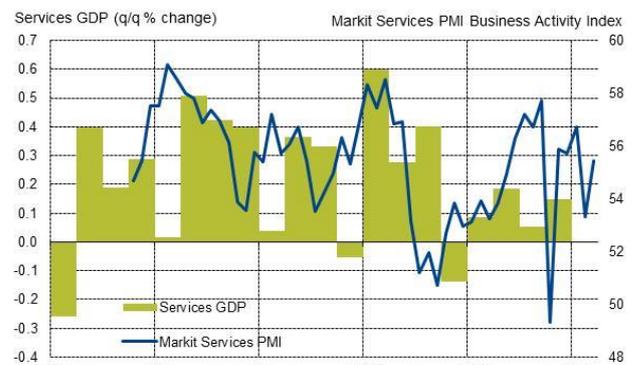
50.0 = no-change on previous month (seasonally adjusted)

Index	Mar'14	Feb'14	Change signalled
Business Activity	<b>55.5</b>	53.3	Expansion, faster rate
New Business	<b>53.9</b>	56.0	Expansion, slower rate
Outstanding Business	<b>48.3</b>	50.9	Contraction, change of direction
Employment	<b>51.9</b>	51.9	Expansion, unchanged rate
Prices Charged	<b>53.5</b>	52.9	Rise, faster rate
Input Prices	<b>54.4</b>	54.7	Rise, slower rate
Business Expectations*	<b>78.1</b>	73.4	Optimism, stronger degree

\* not adjusted for seasonality

<sup>1</sup> 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 Non-Manufacturing Report on Business. No information from the ISM survey is used in the production of Markit's PMI.

#### Service sector business activity



Sources: Markit, Bureau of Economic Analysis.

March data indicated the most marked reduction in **outstanding business** since October 2013. The decline in backlogs of work contrasted with a modest increase during February. Service providers attributed the renewed drop in unfinished business to weaker new order growth, as well as a lack of weather-related disruptions in the latest survey period.

Service sector **new business** growth eased for the third month running in March, and the latest expansion was the slowest for almost a year-and-a-half. Despite a loss of momentum in terms of new order gains, the latest survey signalled an upturn in service providers' **outlook for business activity** over the next 12 months. Moreover, the degree of positive sentiment was higher than that recorded at the same time in 2013. Companies anticipating a rise in business activity generally commented on expectations of a gradual improvement in client demand.

The latest survey suggested that slower new business growth again weighed on **job hiring**, with service sector employment growth unchanged from the 11-month low registered during February. Net job creation at U.S. service providers has now been reported for just over four years, but the latest rise

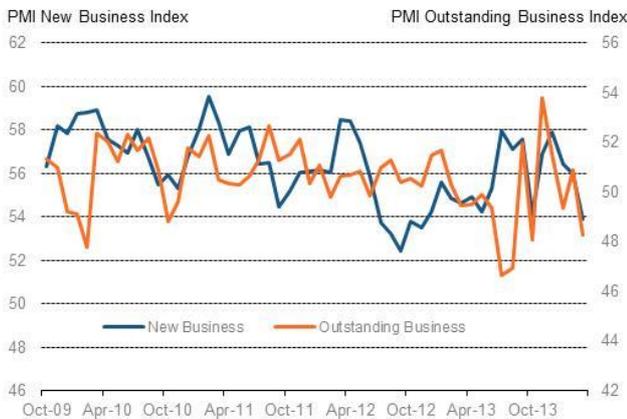
in staffing levels was weaker than seen on average over this period.

Latest data highlighted that **cost inflation** slowed for the seventh time in the past eight months during March. Although the latest survey still indicated a solid overall increase in input prices, the rate of inflation was the least marked since June 2013. Meanwhile, **prices charged** by service providers increased at a solid pace in March and the rate of inflation picked up from the five-month low registered during February.

### Markit Flash U.S. Composite PMI™

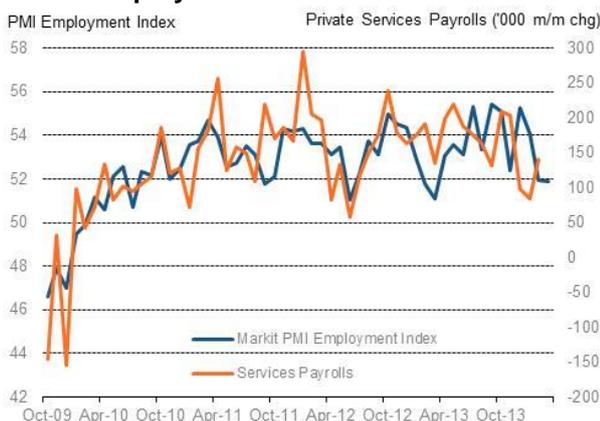
The **Markit Flash U.S. Composite PMI Output Index**, which is based on original survey data from the Markit U.S. Services PMI and the Markit U.S. Manufacturing PMI, increased from 54.1 in February to 55.8 in March. This indicated that a faster expansion of service sector output more than offset a slowdown in manufacturing production growth in March. On average in the first quarter of 2014, the composite index posted 55.4, up slightly from 53.9 in the final quarter of 2013.

### Services new business



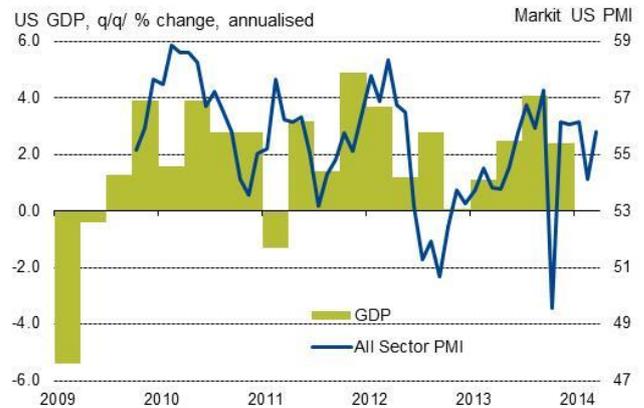
Source: Markit.

### Services employment



Sources: Markit, U.S. Bureau of Labor Statistics.

### Markit Composite PMI and U.S. GDP



Source: Markit, U.S. Bureau of Economic Analysis.

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

*“Service sector activity rebounded in March after a weather-torn February, but the survey is clearly flashing some warning lights as to whether the economy has lost some underlying momentum and that growth could slow in the second quarter.”*

*“Even with the rebound, the two PMI surveys are merely consistent with annualised GDP growth of approximately 2.5% in the first quarter, largely unchanged on the disappointing 2.4% rate seen in the fourth quarter of last year.”*

*“Perhaps most the worrying signal is that new business showed the smallest monthly rise since late-2012. Job creation consequently remained stuck at the sluggish pace seen in February, which had been linked to the extreme weather. The flash manufacturing and services PMIs are together signalling private sector payroll growth of a mere 130,000 per month.”*

*“The question policymakers need the answer to is whether this weakness still reflects some weather impact. Companies certainly expect conditions to improve: firms’ expectations about the year ahead picked up in March and are running above the average seen last year. Until a clearer picture emerges, it seems likely that policy stimulus will continue to be eased back.”*

-Ends-

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## Note to Editors:

Final March data are published on 3 April 2014.

The U.S. Services *PMI™* (*Purchasing Managers' Index™*) is produced by Markit and is based on original survey data collected from a representative panel of over 400 companies based in the U.S. service sector. Markit originally began collecting monthly PMI data in the U.S. service sector in October 2009.

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 Markit U.S. Services PMI complements the Markit U.S. Manufacturing PMI and enables the production of the Markit U.S. Composite PMI which tracks business trends across both the manufacturing and service sectors, based on original survey data collected from a representative panel of over 1,000 companies.

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'.

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

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### About PMI

Purchasing Managers' Index™ (PMI™) 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).

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