

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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Markit U.S. Manufacturing PMI™ – final data

U.S. manufacturing growth remains subdued in March

Key points:

- Output growth unchanged from February's 28-month low
- Moderate upturn in new business volumes
- Prices charged decline amid further drop in input costs

Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: Markit.

Summary

March data highlighted sustained growth across the U.S. manufacturing sector, but the overall pace of expansion remained subdued. At 51.5, up only slightly from 51.3 in February, the seasonally adjusted final **Markit U.S. Manufacturing Purchasing Managers' Index™ (PMI™)** signalled another modest improvement in operating conditions. The earlier 'flash' reading for March was 51.4.

Moreover, looking at the average reading for Q1 as a whole (51.7), the headline PMI pointed to the weakest quarterly upturn since Q3 2012.

A faster increase in incoming new work and sustained growth of employment numbers were the main positive developments recorded by the survey during March. Latest data also pointed to stabilization in new export orders, following a slight fall in February. Manufacturers noted that generally improving global economic conditions had helped to

offset some of the negative influence on export sales from the strong dollar.

Despite a slightly sharper rise in new work, manufacturing output growth was unchanged from the 28-month low recorded during February. Moreover, output growth remained below its post-crisis trend and close to its lowest since late-2012. A relatively weak rise in production volumes was linked to subdued client spending patterns so far this year and a corresponding lack of pressuring on operating capacity. Reflecting this, backlogs of work were reported to have fallen again in March, which extended the current period of decline to four out of the past five months.

Manufacturing companies indicated cautious inventory policies in March. Post-production stocks were broadly unchanged, as has been the case throughout 2016 to date. Stocks of inputs were reduced for the fourth month running and the rate of decline was the fastest since January 2014. Survey respondents linked this fall to relatively subdued output growth and heightened uncertainty about the business outlook. At the same time, growth of input buying was only marginal, following a reduction in February.

The latest survey highlighted a sustained decrease in average cost burdens across the manufacturing sector. Lower input prices have now been recorded for seven months running, although the latest decline was only marginal. Where a drop in input costs was reported, manufacturers mainly cited the impact of lower commodity prices.

Manufacturers reported a further reduction in their factory gate charges during March, but the rate of decline moderated since February. Survey respondents attributed the latest fall to competitive pricing strategies and lower input costs.

Comment

Commenting on the final PMI data, **Tim Moore, senior economist at Markit said:**

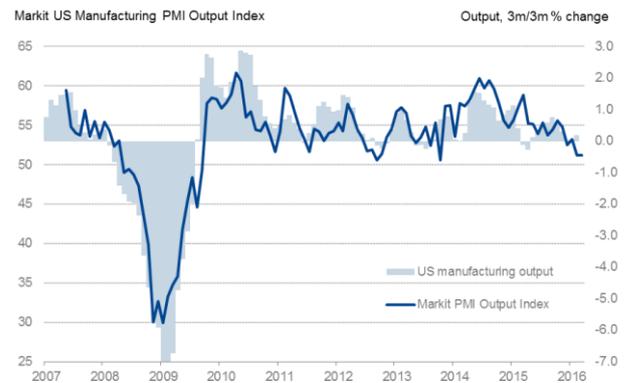
"March's survey highlights sustained weakness

across the US manufacturing sector, meaning that overall growth through the first quarter slowed to its lowest since late-2012. Subdued client spending patterns within the energy sector, ongoing pressure from the strong dollar, and general uncertainty about the business outlook were cited as factors weighing on new order flows in March.

“Meanwhile, price discounting strategies resulted in the first back-to-back drop in factory gate charges for around three-and-a-half years, suggesting another squeeze on margins despite lower materials costs across the manufacturing sector.”

-Ends-

Manufacturing output



Sources: Markit, U.S. Federal Reserve.

Manufacturing employment



Sources: Markit, Bureau of Labor Statistics.

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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.

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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.

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