

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0900 EST 23 January 2014

Markit Flash U.S. Manufacturing PMI™

Output growth hits three-month low amid disruptions from 'big freeze' in January

Key points:

- Manufacturing PMI falls for the first time since last October...
- ...reflecting slower output and new order growth
- Extreme weather leads to sharpest lengthening of suppliers' delivery times since August 2008

Data collected 13 – 22 January 2014.

At 53.7 in January, down from 55.0 in December, the **Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**¹, which is based on approximately 85% of usual monthly replies, signalled the slowest improvement in overall business conditions for three months. That said, the index was above the neutral 50.0 mark and slightly higher than its average for 2013 (53.5). Therefore, the latest survey results still indicate solid underlying growth across the U.S. manufacturing sector.

Flash U.S. Manufacturing PMI™ Summary

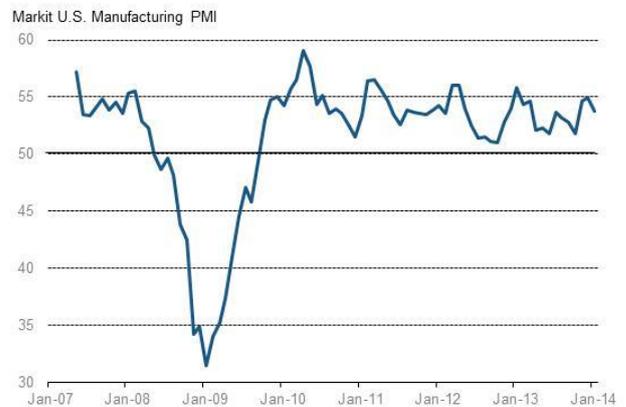
50.0 = no-change on previous month (seasonally adjusted)

Index	Jan'14	Dec'13	Change signalled
PMI	53.7	55.0	Expansion, slower rate
Output	53.4	57.5	Expansion, slower rate
New Orders	54.1	56.1	Expansion, slower rate
New Export Orders	48.9	51.4	Contraction, change of direction
Employment	53.2	54.0	Expansion, slower rate
Backlogs of Work	49.5	52.8	Contraction, change of direction
Output Prices	53.8	55.6	Rise, slower rate
Input Prices	58.1	59.0	Rise, slower rate
Stocks of Purchases	46.6	48.5	Contraction, faster rate
Stocks of Finished Goods	45.0	49.5	Contraction, faster rate
Quantity of Purchases	52.0	56.0	Expansion, slower rate
Suppliers' Delivery Times	40.9	45.9	Lengthening, faster rate

Source: Markit.

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.

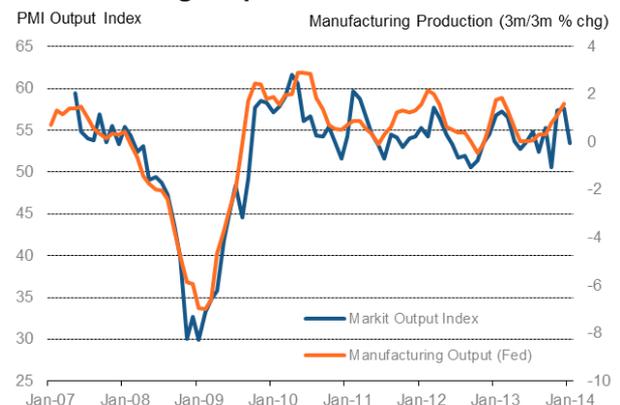
Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: Markit.

Slower rates of output and new order growth were the main factors behind the fall in the headline PMI from December's 11-month high. Although **manufacturing production** still rose at a solid clip, the latest expansion was the slowest since last October. Companies reporting higher output levels widely commented on resilient domestic demand and efforts to reduce their pipeline of unfinished business in January. Some panel members noted that extreme weather conditions in January had temporarily disrupted output levels.

Manufacturing output



Sources: Markit, U.S. Federal Reserve.

Meanwhile, latest data indicated a further slowdown in **new order growth** from November's 10-month peak. As with the weaker trend for output, there were reports from survey respondents that the unusually cold weather had a negative influence on new business intakes. Moreover, there were some signs of weaker spending patterns among international clients at the start of 2014. Volumes of **new export business** decreased during January for the first time in four months, although the rate of decline was only marginal.

Manufacturing new orders

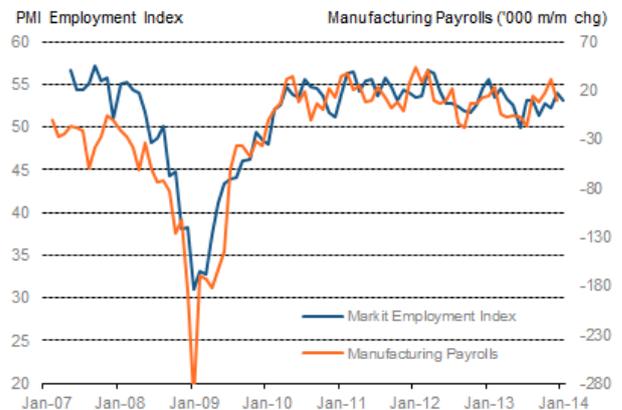


Sources: Markit, U.S. Census Bureau.

U.S. manufacturers indicated marked **job hiring** during January, with the rate of growth only slightly slower than in December. Anecdotal evidence suggested that the temporary nature of disruptions from extreme weather conditions, alongside efforts to reduce backlogs, contributed to solid staff hiring trends at the start of 2014. Levels of **unfinished work** were reduced for the first time since last August, despite suppliers' lead-times lengthening to the greatest degree for almost five-and-a-half years. Backlogs were lowered in part through the use of **inventories**, as finished goods stocks fell at the fastest pace since September 2009.

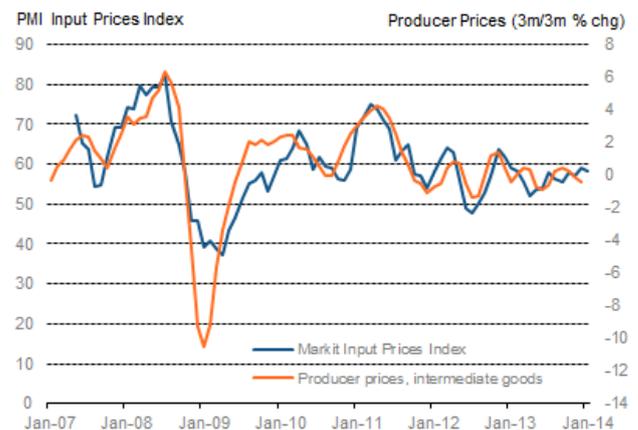
January data indicated that **input cost inflation** slowed from the 11-month high recorded at the end of 2013. A number of manufacturers cited rising prices for steel, aluminum and plastics. Meanwhile, **factory gate charges** across the U.S. sector also increased at a slower pace in January, with the rate of inflation the weakest for three months.

Manufacturing employment



Sources: Markit, Bureau of Labor Statistics.

Input prices



Sources: Markit, Bureau of Labor Statistics.

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

"The flash PMI indicates that the manufacturing sector continued to grow at the start of 2014, and that the underlying trend most likely remained reassuringly robust. After allowing for companies that saw production and sales disrupted by the cold weather, the rate of growth of output and orders remained as strong, if not stronger, than seen late last year. Output looks to be growing at an underlying rate of 2% per quarter, which is generating ongoing robust job creation of around 10,000 per month.

"The survey provides the first indication of national economic trends at the start of 2014, and suggests that the worrying dip in non-farm payrolls seen in December is likely to have been a temporary blip in a firmer long-term trend."

-Ends-

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Note to Editors:

Final January data are published on 3 February 2014.

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 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.

About Markit

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About PMI

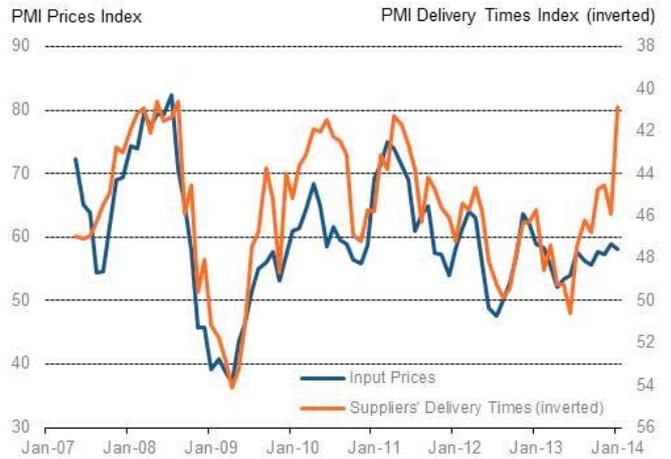
Purchasing Managers' Index[™] (*PMI*[™]) surveys are now available for 32 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/economics.

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Output and orders:inventory ratio



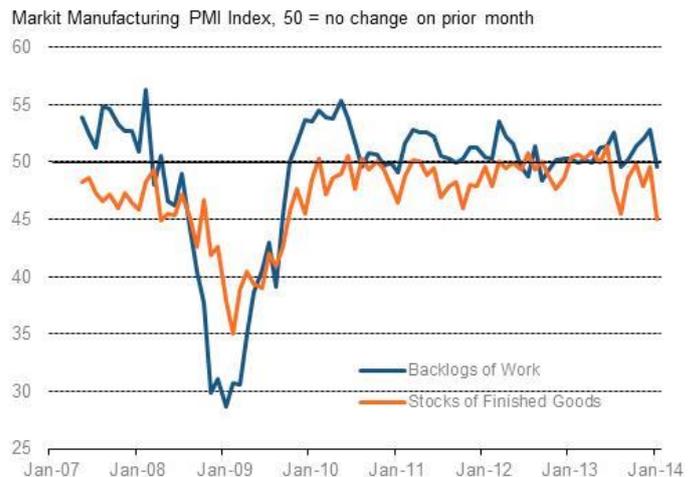
Supply chain developments



New orders



Backlogs of work and warehouse inventories



Prices



Purchasing and input inventories

