

News Release

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

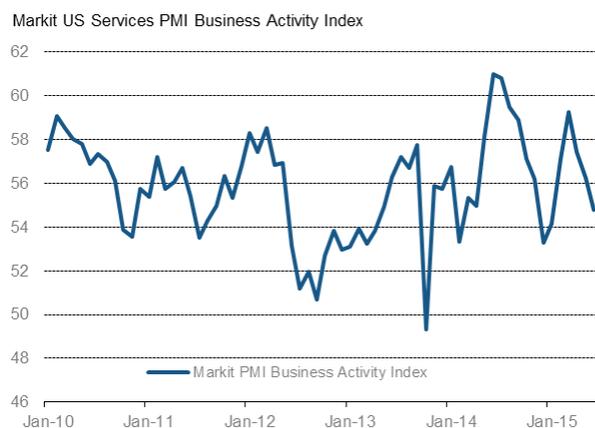
Service sector activity growth slows again at the end of the second quarter

Key points:

- U.S. service sector loses momentum in June
- New business expands at weakest pace for five months
- Sharpest rise in cost burdens since October 2013

Data collected 12 – 24 June.

Service sector business activity (seasonally adjusted)



Sources: Markit

June data pointed to solid rises in business activity and incoming new work across the U.S. service sector, but both rates of expansion moderated since the previous month. Job creation also eased in June, although the latest increase in payroll numbers was still faster than the trend seen since the survey began in late-2009.

At 54.8 in June, down from 56.2 in May, the seasonally adjusted **Markit Flash U.S. Services PMI™ Business Activity Index¹** – which is based on approximately 85% of usual monthly replies – posted above the neutral 50.0 threshold for the twentieth successive month. Although the latest reading pointed to a solid upturn in service sector

output, the rate of expansion slowed to its weakest since January.

In line with the trend for output, latest data highlighted a further moderation in new business growth from March's recent peak. Anecdotal evidence suggested that improving domestic economic conditions continued to support new order volumes, although some firms noted a degree of caution among clients about the business outlook. Reflecting this, service providers signalled the least optimistic year-ahead outlook for business activity since March. The degree of confidence in June was also weaker than the average since the survey began in October 2009.

Service providers continued to add to their payroll numbers in June, driven by new product launches and efforts to boost capacity. That said, the pace of job creation slowed for the first time in 2015 to date. Some firms noted greater caution about the business outlook, although there were also reports suggesting that skill shortages had delayed staff placements in June.

Meanwhile, input cost inflation accelerated across the service economy in June. The latest increase in average cost burdens was the fastest for just over a year-and-a-half. A number of survey respondents cited higher food prices in June. Stronger cost inflation in turn contributed to the most marked rise in service providers' average prices charged since September 2014.

Markit Flash U.S. Composite PMI™

The seasonally adjusted **Markit Flash U.S. Composite PMI Output Index** registered 54.6 in June, comfortably above the 50.0 no-change value but down from 56.0 in May. Moreover, the latest reading pointed to the slowest pace of U.S. private sector output growth since January.

Jobs growth also softened, with the expansion of payroll numbers the least marked for three months

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

in June.

The composite index is based on original survey data from the Markit U.S. Services PMI and the Markit U.S. Manufacturing PMI.

Comment:

Commenting on the flash PMI data, **Chris Williamson, chief economist at Markit** said:

“A slowdown in the economy at the end of the second quarter may mean the Fed takes a further pause for thought before hiking interest rates.

“The latest flash PMI surveys showed the smallest rise in service sector activity since January and the slowest growth of factory output for over a year and a half, linked to the strong dollar.

“With the exceptions of the weather-related slowdown at the turn of the year and the 2013 government shutdown, June saw the weakest pace of economic growth since May 2013.

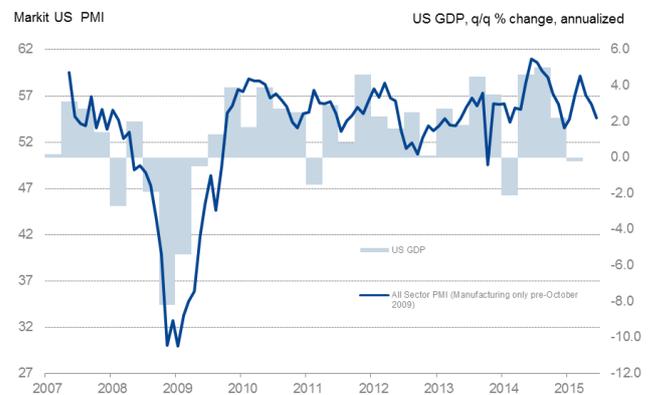
“While the surveys point to the economy growing at an annualised rate of around 3% in the second quarter as a whole, there has clearly been a loss of momentum in recent months. With June also seeing one of the smallest increases in new orders recorded over the past two years, the surveys suggest that GDP growth could slow appreciably in the third quarter.

“Although the PMI data also point to employment rising strongly again in June, consistent with another 200,000-plus rise in non-farm payrolls, hiring is likely to cool in coming months in response to weaker order book growth.

“The big question is whether these signs of the economy losing momentum will buy more time at the Fed, pushing out the first rate hike into next year, or whether policymakers will be persuaded into hiking sooner due to the current strength of the labour market, robust second quarter economic growth and reviving price pressures.”

-Ends-

Markit Composite PMI and U.S. GDP



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

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Note to Editors:

Final June data are published on 6 July 2015.

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.

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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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