

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0900 EST 20 February 2014

Markit Flash U.S. Manufacturing PMI™

U.S. manufacturing sector performance rebounds strongly in February

Key points:

- Manufacturing PMI hits highest level for almost four years
- Sharp rebound in output and new order growth
- Cost inflation eases to eight-month low

Data collected 12 – 19 February 2014.

February data suggested a solid rebound in U.S. manufacturing business conditions following the slowdown recorded during the previous month. This was highlighted by a rise in the **Markit Flash U.S. Manufacturing Purchasing Managers' Index (PMI)™**¹, which is based on approximately 85% of usual monthly replies, from 53.7 in January to 56.7 in February. The latest reading pointed to the fastest overall improvement in U.S. manufacturing business conditions since May 2010.

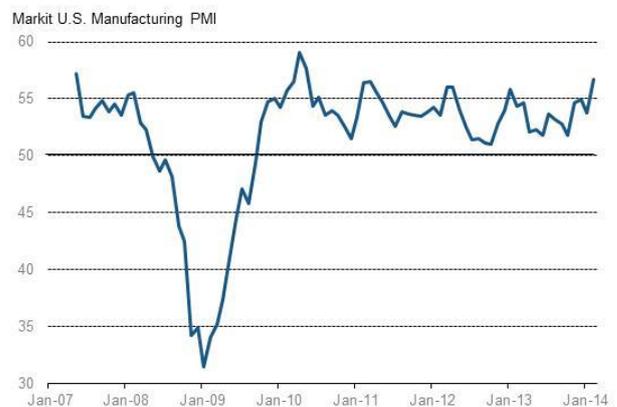
Flash U.S. Manufacturing PMI™ Summary

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

Index	Feb'14	Jan'14	Change signalled
PMI	56.7	53.7	Expansion, faster rate
Output	57.2	53.5	Expansion, faster rate
New Orders	58.8	53.9	Expansion, faster rate
New Export Orders	50.9	48.4	Expansion, change of direction
Employment	54.0	53.2	Expansion, faster rate
Backlogs of Work	56.4	49.2	Expansion, change of direction
Output Prices	53.0	53.8	Rise, slower rate
Input Prices	54.8	58.2	Rise, slower rate
Stocks of Purchases	51.5	46.6	Expansion, change of direction
Stocks of Finished Goods	45.7	45.1	Contraction, slower rate
Quantity of Purchases	54.7	52.0	Expansion, faster rate
Suppliers' Delivery Times	40.8	40.9	Lengthening, faster rate

Source: Markit.

Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: Markit.

The upturn in the headline U.S. Manufacturing PMI was driven by sharp and accelerated increases in both production levels and incoming new work during February. Latest data indicated that **output growth** recovered strongly from January's three-month low, suggesting manufacturers have started to shake off the disruptions caused by heavy snowfall and extreme weather conditions in parts of the U.S.

Moreover, **new business** volumes increased at the sharpest rate since May 2010, suggesting resilient underlying demand across the U.S. manufacturing sector. Higher levels of new work in February partly reflected a return to export sales growth following a slight reduction during the previous month.

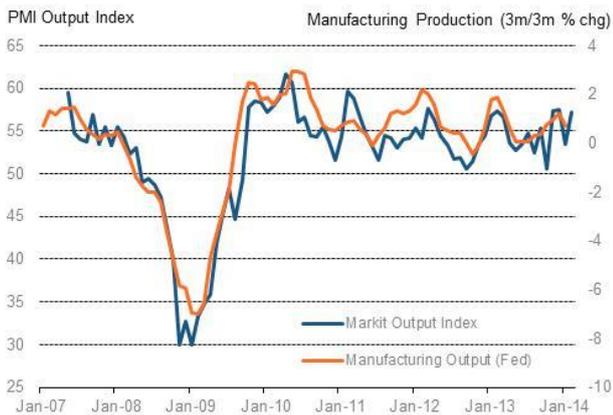
Manufacturers indicated that positive **job hiring** trends continued in February, thereby extending the current period of employment growth across the sector to eight months. Latest data signalled a solid pace of job creation that was the joint-sharpest since March 2013. Survey respondents suggested that greater production requirements, confidence in the economic outlook and, in some cases, pressures on operating capacity had led to rising workforce numbers in February.

Higher levels of new business and some on-going disruptions from the extreme weather conditions

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.

this year contributed to a sharp increase in **backlogs of work** during February. The latest accumulation of work-in-hand in the manufacturing sector was the steepest since the survey began in May 2007.

Manufacturing output



Sources: Markit, U.S. Federal Reserve.

Meanwhile, manufacturers pointed to a further marked reduction in their **stocks of finished goods**, largely reflecting strong underlying demand in February. Higher production requirements and efforts to guard against delays in the receipt of deliveries from suppliers contributed to a rise in **stocks of inputs** for the first time since June 2013. Latest data signalled that **suppliers' lead-times** lengthened to the greatest degree recorded for five-and-a-half years, which survey respondents overwhelmingly linked to unusually bad weather conditions in 2014 to date.

Manufacturing new orders



Sources: Markit, U.S. Census Bureau.

February data signalled that **input cost inflation** eased for the second month running. The latest increase in input prices was the slowest since June 2013. Anecdotal evidence suggested higher prices for metals (especially steel and copper) were a key source of cost inflation in February. In line with

slower overall cost inflation, latest data pointed to a weaker rise in manufacturers' **output charges**. The rise in factory gate prices during February was the slowest since September 2013.

Manufacturing employment



Sources: Markit, Bureau of Labor Statistics.

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

"The flash manufacturing PMI provides the first indications that production has rebounded from the weather-related slowdown seen in January. Having slumped to a three-month low in January the PMI surged to its highest for almost four years in February, as companies reported business returning to normal after freezing temperatures and snow disrupted operations and supply chains.

"Hiring also picked up to the fastest since last March, with the survey signalling approximately 15,000 jobs being created in February.

"While the strong PMI reading in part represents a rebound from the temporary weakness seen at the start of the year, further growth looks likely in coming months, suggesting the underlying health of the economy remains robust. In particular, February saw the largest rise in backlogs of work seen since prior to the financial crisis, as well as a further steep fall in inventories of finished goods. Both point to ongoing growth of production and hiring in March."

-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

Tim Moore, Senior Economist
Telephone +44-1491-461-067
Mobile +44-780-972-1666
Email tim.moore@markit.com

Alex Paidas, Corporate Communications
Telephone +1-212-205-7101
Mobile +1-646-246-4889
Email alex.paidas@markit.com

Alex Brog, Corporate Communications
Telephone: +44 207 264 7602
Email: alex.brog@markit.com

Note to Editors:

Final February data are published on 3 March 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

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

About PMI

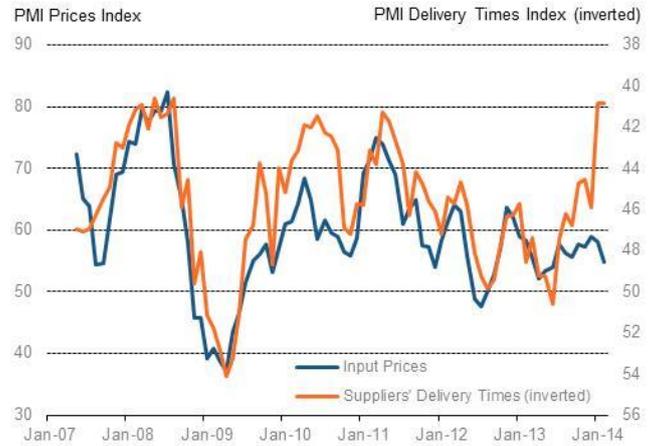
Purchasing Managers' Index[™] (*PMI*[™]) surveys are now available for 32 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide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

The intellectual property rights to the Flash U.S. Manufacturing PMI[™] 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[™] and PMI[™] 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.

Output and orders:inventory ratio



Supply chain developments



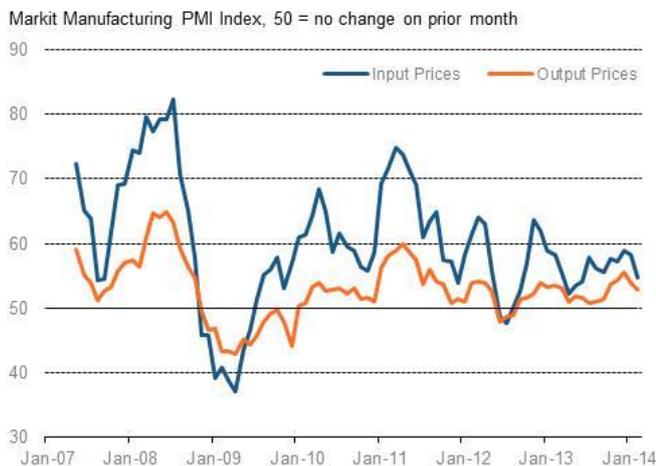
New orders



Backlogs of work and warehouse inventories



Prices



Purchasing and input inventories

