

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0945 EST 2 March 2015

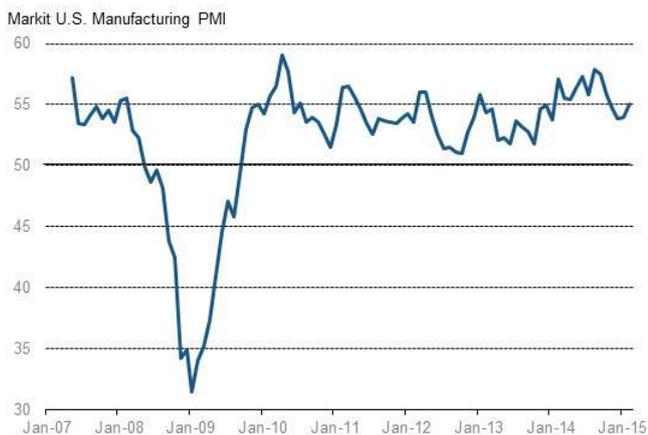
Markit U.S. Manufacturing PMI™ – final data

Output growth quickens to four-month high

Key points:

- Sharper rises in output and new orders
- Delivery delays lead to increase in backlogs
- Record increase in stocks of finished goods

Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: Markit.

Summary

Growth in the U.S. manufacturing sector gathered momentum in February, with output and new orders both rising at sharper rates than seen at the start of the year. Input costs decreased marginally for the second month running, but firms continued to raise their output prices. Meanwhile, delays in the delivery of items contributed to an accumulation of backlogs of work and a record increase in finished goods stocks.

The final seasonally adjusted **Markit U.S. Manufacturing Purchasing Managers' Index™ (PMI™)** rose to 55.1 in February from 53.9 in the previous month. The reading signalled the most marked improvement in business conditions in the sector since October 2014.

Manufacturing production growth quickened to the sharpest in four months during February, with firms linking higher output to increases in new business. This was highlighted by a marked rise in total new

orders. As with production, the rate of growth in new business was the fastest since last October. Meanwhile, new export orders continued to rise, albeit only modestly.

Higher new orders was one factor leading to an accumulation of backlogs of work in February, while supplier delivery delays had also contributed to rising outstanding business. Delivery times lengthened to the greatest extent since February 2014, with firms reporting adverse weather conditions in some parts of the country. Meanwhile, stocks of finished goods increased at the sharpest pace since the series began.

Manufacturers raised employment, as has been the case in each month since July 2013. That said, the rate of job creation eased to the slowest in seven months. Higher levels of new work and the replacement of leavers contributed to the latest expansion of staff numbers.

Input prices at manufacturing firms decreased for the second successive month, albeit only marginally. The latest fall in costs was partly linked to reduced prices for steel and other commodities.

Although input costs declined, firms continued to raise their output prices in February. The rate of inflation remained modest, but picked up to a three-month high. Charges have been raised in each month since September 2012.

A solid increase in purchasing activity was recorded amid reports of greater production requirements. That said, the rate of expansion eased to the slowest since January 2014.

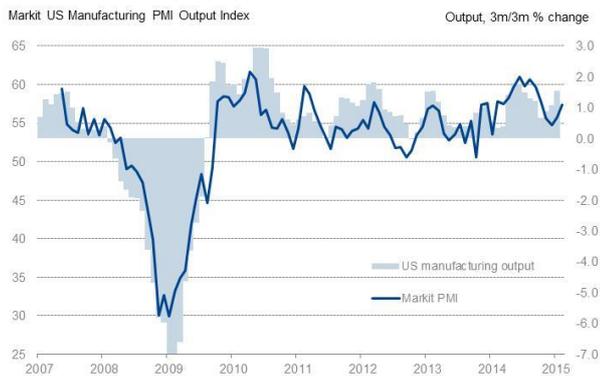
Company size and sector analysis

Strong improvements in business conditions were seen across small, medium and large companies during February. Meanwhile, SMEs posted a faster rate of job creation than large companies. The medium sizeband was the only one to see a fall in input prices during the month.

Rates of improvement were broadly consistent across market groups, with the greatest

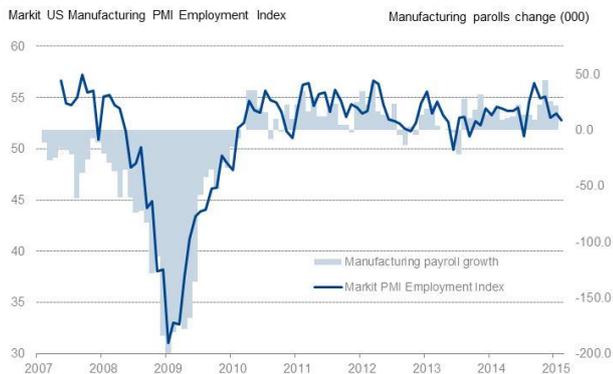
strengthening of operating conditions at investment goods firms. Data suggested that the overall fall in input prices was centred on intermediate goods producers.

Manufacturing output



Sources: Markit, U.S. Federal Reserve.

Manufacturing employment



Sources: Markit, Bureau of Labor Statistics.

Comment

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

“Manufacturing braved the cold weather in February, reporting an upturn in the pace of growth. A flurry of activity towards the month end helped raise production to a greater extent than signalled by the earlier flash reading. The upbeat survey points to minimal impact from the adverse weather that affected many parts of the country during the month.”

“While growth of manufacturing output remained below the peaks seen last year, the survey is broadly consistent with production rising at an annualised rate approaching 4%.”

“Employment continued to rise, albeit with the rate of job creation slipping as many companies cited increased uncertainty about the outlook, especially with the strong dollar hitting competitiveness.”

“Lower oil prices meanwhile once again helped reduce firms’ costs slightly for a second month running, but average selling prices rose at the fastest rate since November, suggesting core inflationary pressures are in fact rising.”

“The combination of strong production growth, ongoing job creation and rising factory prices will keep alive the possibility that the Fed could be encouraged to start hiking interest rates as early as June.”

-Ends-

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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 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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