

News Release

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

Manufacturing sector growth rebounds in October

Key points:

- Manufacturing PMI picks up to six-month high
- Output and new orders rise at fastest pace since March
- Input costs decline at a sharper pace in October

Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: Markit.

Summary

October data highlighted a modest rebound in U.S. manufacturing performance, driven by faster rises in output, new orders and employment levels. At 54.1, up from 53.1 in September, the final seasonally adjusted **Markit U.S. Manufacturing Purchasing Managers' Index™ (PMI™)** pointed to the sharpest improvement in overall business conditions since April. Moreover, the latest data signalled a turnaround in growth momentum from the 22-month low recorded in August.

Manufacturing production increased at a robust and accelerated pace in October, with the rate of expansion the fastest for seven months. This reflected a reasonably strong upturn in new business volumes during the latest survey period.

New export sales continued to rise at only a modest pace in October, with survey respondents noting that the strong U.S. dollar remained a headwind to growth. Nonetheless, the latest rise in new work from

abroad was the third in the past four months, and the fastest since September 2014.

Greater workloads placed pressure on operating capacity and contributed to another accumulation of unfinished work across the manufacturing sector in October. This in turn contributed to a rebound in employment growth from the 27-month low recorded during September.

Despite rising levels of incoming new work and an upturn in job creation, manufacturers remained relatively cautious in terms of their inventories of finished goods. Reflecting this, post-production stocks were lowered for the third month running and at the fastest pace since June 2014. At the same time, manufacturers sought to boost their stocks of purchases during October, with some citing expectations of rising workloads in the months ahead. Although only modest, the latest increase in pre-production inventories was the sharpest for almost a year.

Supply chain pressures persisted in October, as highlighted by longer delivery times from vendors. This was driven in part by greater input buying across the manufacturing sector over the month. Moreover, the latest expansion of purchasing activity was the fastest since June.

Manufacturers continued to benefit from falling commodity prices in October, with survey respondents widely commenting on reduced costs for steel and other metals. Measured overall, the latest fall in average cost burdens was the fastest since March. Meanwhile, manufacturers indicated that their factory gate charges rose only fractionally, with the rate of inflation the second-slowest for over three years.

Comment

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

“Stronger manufacturing growth in October brings encouraging news after the sector saw the pace of expansion slump to a two-year low in the third

quarter.

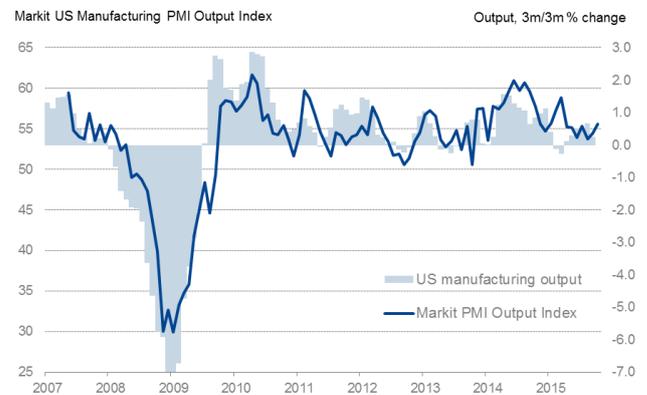
“Factory output growth accelerated, equivalent to around a 4% annualised rate of increase, as firms saw the largest monthly jump in new order inflows since March. Export growth has also revived, suggesting firms are managing to adapt to the stronger dollar, as job creation picked up after slowing in September.

“With the Fed eagerly watching the data flow to see whether the third quarter economic slowdown will intensify, the improvement in the manufacturing sector increases the odds of policymakers voting to hike rates at the FOMC’s December meeting.

“However, with inflationary pressures remaining very subdued and signs of the slowdown persisting into the fourth quarter in the larger service sector, the policy outlook is by no means certain and debate about whether the economy yet needs higher interest rates will no doubt remain intense.”

-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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