

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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Markit U.S. Services PMI™ – final data (with composite PMI™)

Strong service sector growth maintained during July

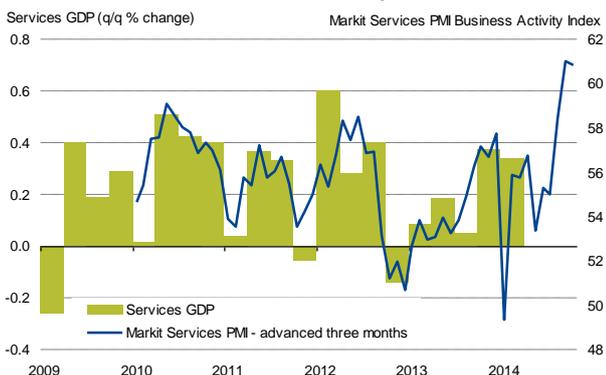
Key points:

- Business activity growth holds close to June's post-crisis high
- Slower rises in new work and payroll numbers
- Cost inflation eases to 15-month low

July data pointed to another strong rise in U.S. service sector output, with the pace of expansion moderating only slightly from June's survey-record high. That said, the latest increase in new business volumes was the least marked for three months and service providers' confidence about the year-ahead business outlook slipped to the lowest since November 2012. Meanwhile, the latest survey indicated a moderation in input cost inflation and, as a result, average prices charged by service sector companies increased only marginally.

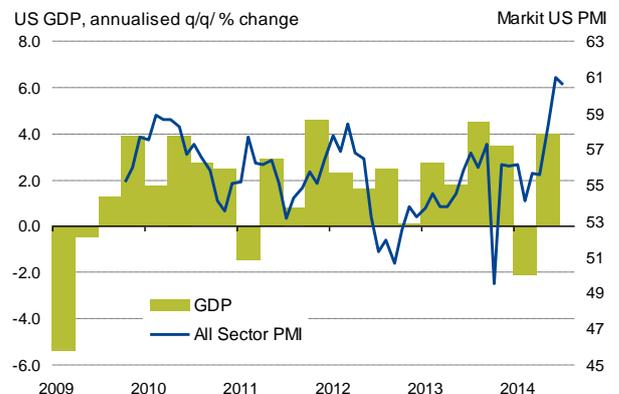
At 60.8 in July, the final seasonally adjusted **Markit US Services Business Activity Index** held close to the survey-record high registered in June (61.0). The earlier 'flash' reading was 61.0 in July. The index has now registered above the neutral 50.0 value for nine months running and the latest reading indicated a sharp overall expansion of service sector output. Anecdotal evidence generally linked rising levels of business activity to sustained growth of new work and improving conditions across the domestic economy.

Service sector business activity



Adjusted for seasonal influences, the final **Markit U.S. Composite PMI™ Output Index** (covering manufacturing and services) posted 60.6 in July, down only slightly from a series-record high of 61.0 in June. The earlier 'flash' estimate for July was 60.9. Strong rates of output growth were recorded in both manufacturing (59.7) and services (60.8) during the latest survey period.

Markit U.S. Composite PMI™ Output Index



Volumes of new work received by service providers increased at a robust pace in July. However, in line with the trend for output, the rate of new business expansion eased from the post-crisis high seen in June. The latest rise in new work was the weakest since April, but still stronger than the average since the survey began in late-2009.

Slower new business growth contributed to a renewed reduction in outstanding business across the service sector in July. The marginal drop in unfinished work contrasted with a moderate accumulation of backlogs in each of the previous two months.

Higher levels of output and new work nonetheless contributed to a further increase in payroll numbers

at service sector companies in July. Jobs growth has been recorded in each month since March 2010, but the latest reading was much lower than June's survey-record high. Meanwhile, service providers indicated the least marked degree of positive sentiment towards the business outlook for just over a year-and-a-half.

Input cost inflation eased for the first time in four months during July. The latest rise in cost burdens was also the slowest since April 2013. This in turn contributed to the weakest increase in service sector output charges for just over a year.

Comment:

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

"The economy enjoyed a very strong start to the third quarter, according to the PMI surveys. The surveys suggest that the economy has maintained strong momentum after rebounding in the second quarter from the weather-torn start to the year.

"The elevated survey readings suggest that the economy is on course to grow strongly again in the third quarter, building on the 4.0% annualised expansion of GDP seen in the second quarter.

"This is also a broad-based upturn: the services sector grew at a rapid pace, just slightly weaker than June's post-recession high, accompanied by a surge in factory production.

"However, there are signs that growth could cool in coming months. The surveys indicate that the rate of job creation has waned, as have inflows of new business. Business confidence has also fallen to the lowest since late 2012 as companies have noted greater economic uncertainty and mounting risk aversion.

"While the economy looks set to continue to expand at robust pace in the second half of the year, these summer months may turn out to represent the peaking in the rate of growth."

-Ends-

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Note to Editors:

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 final U.S. Services *PMI* follows on from the flash estimate which 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 percentage of positive responses plus a half of the percentage 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 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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