

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0945 EST 5 November 2014

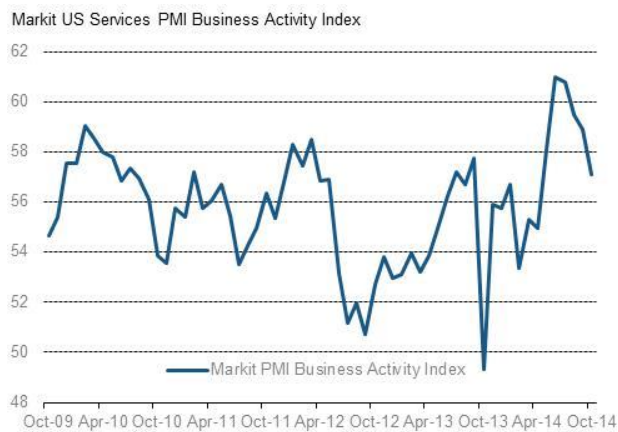
Markit U.S. Services PMI™ – final data (with composite PMI™)

Service sector output growth eases to six-month low in October

Key points:

- Business activity growth slows further from June's post-crisis peak
- Service sector job creation maintained during October
- Input cost inflation eases to three-month low

Markit U.S. Services Business Activity Index



Sources: Markit.

Business activity continued to rise sharply across the U.S. service sector in October, but the pace of expansion slowed further from its recent post-crisis peak. Meanwhile, a solid increase in payroll numbers was maintained during the latest survey period, but service providers' confidence towards the business outlook was the least positive since July and close to its lowest for two years.

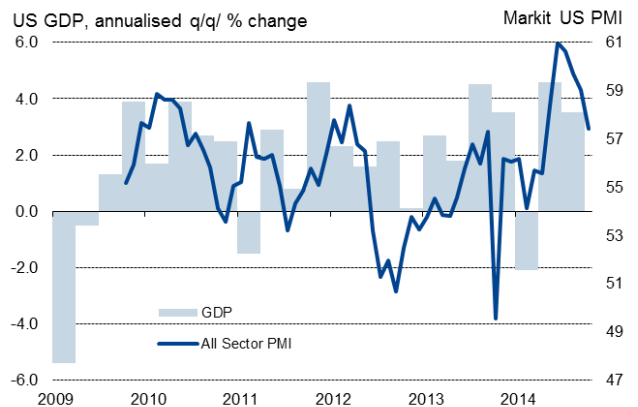
Adjusted for seasonal influences, the final **Markit U.S. Services Business Activity Index** registered 57.1 in October ('flash' reading 57.3), down from 58.9 in September but still well above the 50.0 no-change mark. The headline index has pointed to slower service sector output growth in each month since July, with the latest reading the weakest for six months

The seasonally adjusted final **Markit U.S. Composite PMI™ Output Index** (covering

manufacturing and services) registered 57.2 in October, down from 59.0 in September and the lowest reading for six months.

Slower output growth across the U.S. private sector in October reflected weaker contributions from both manufacturing production (57.8 in October, down from 59.6) and services activity (57.1, down from 58.9).

Markit U.S. Composite PMI™ Output Index



Source: Markit.

Service sector activity growth reflected robust new business gains in October. Reports from survey respondents suggested that improving underlying demand and strengthening domestic economic conditions had supported sales volumes. However, the latest expansion of overall new business intakes was slower than the three-month high recorded in September.

Employment growth was maintained across the service sector, which continued the trend seen in each month since March 2010. Increased payroll numbers reflected the launch of new products and a further accumulation of unfinished work in October. Volumes of outstanding business have now increased in five of the past six months, and the latest rise was close to the survey-record pace

seen in September.

Despite strong pipelines of incoming new business and work-in-hand (but not yet completed), the latest survey highlighted a moderation in service providers' confidence towards the business outlook. The degree of positive sentiment was the second-lowest recorded since November 2012.

Meanwhile, average cost burdens continued to rise across the service economy in October. However, the latest index reading signalled that input price inflation eased slightly to its lowest for three months and was weaker than the survey average. Service providers also pointed to a moderation in output charge inflation at their units in October. Higher average tariffs have been recorded in each month since July 2013, but the latest increase was less marked than September's five-month peak.

Comment:

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

"Having correctly indicated that the economy grew at an annualised rate of 3.5% in the third quarter, the PMI surveys warn of a slowdown as we move towards the end of the year.

"The manufacturing and services surveys collectively indicated the slowest pace of expansion for six months in October and, with inflows of new business also hitting a six-month low, there's good reason to believe that the pace of growth could slacken further in coming months.

"The October survey data running at a level consistent with GDP rising at an annualised rate of 2.5% at the start of the fourth quarter, but any further drop in the PMI numbers raises the risk of an even sharper slowdown.

"However, although cooling, the pace of expansion clearly remains sufficiently strong to generate an impressive rate of job creation. The surveys are signalling another month of non-farm payroll growth in excess of 200,000 in October. The concern is that, with growth slowing and business confidence sliding to one of the lowest levels seen over the past two years, employers could soon start to show greater hesitancy in recruiting new staff."

-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
Email tim.moore@markit.com

Joanna Vickers, Corporate Communications
Telephone: +44-207-260-2234
Email: joanna.vickers@markit.com

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

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.

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 10 countries. Markit shares are listed on NASDAQ under the symbol "MRKT". 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 U.S. Services 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.