

## News Release

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 0945 EDT 1 August 2014**

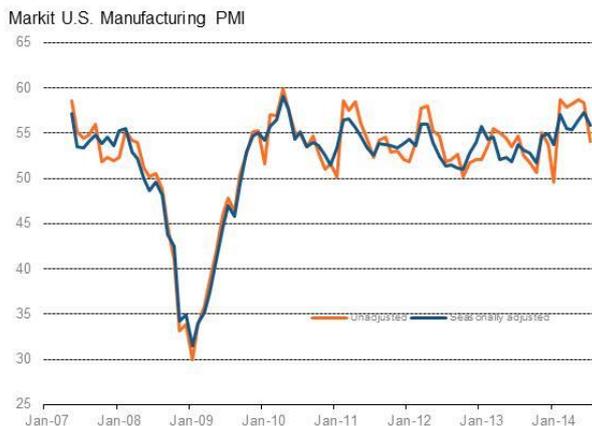
### Markit U.S. Manufacturing PMI™ – final data

## Strong rate of manufacturing output growth sustained in July

#### Key points:

- Output growth holds close to the 50-month high seen in June
- Sharp rise in new work, despite softer export order growth
- Job creation eases to 13-month low

#### Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: Markit.

#### Summary

July data pointed to continued strong growth of production levels and incoming new business across the U.S. manufacturing sector, although the latest survey indicated some loss of momentum since the previous month. Employment growth also moderated during July, and was the weakest in the current 13-month period of workforce expansion. However, latest data signalled a robust rise in input buying and renewed efforts to boost pre-production inventories, which survey respondents attributed to sharp increases in overall new business volumes.

The headline figure derived from the survey is the Markit U.S. Manufacturing *Purchasing Managers' Index™ (PMI™)*, which is designed to signal changes in prevailing business conditions in the U.S. manufacturing sector. PMI readings above 50.0 signal an improvement in business conditions, while readings below 50.0 signal deterioration.

Adjusted for seasonal influences, the final **Markit U.S. Manufacturing PMI** registered 55.8 in July, down from a 49-month high of 57.3 in June. Although the latest reading was the lowest since April, the index remained well above the neutral 50.0 value and signalled a robust improvement in overall business conditions across the manufacturing sector.

Production volumes increased sharply in July, although the pace of expansion moderated after hitting its fastest for over four years in June. Higher levels of output were linked to improving domestic economic conditions and strong client demand.

In line with the trend for production, new business growth held close to its fastest for over four years, despite the pace of expansion slowing since June. Survey respondents mainly cited the launch of new products and greater spending among domestic clients. Meanwhile, latest data suggested that export sales continued to weigh on overall new business growth, with the latest rise only marginal and the slowest in the current six-month period of expansion.

Higher levels of new work contributed to a solid increase in outstanding business in July, although the rate of backlog accumulation slipped to a four-month low. Pressures on operating capacity contributed to another rise in payroll numbers. However, the latest increase in employment was the weakest for over a year, which some firms attributed to the non-replacement of voluntary leavers.

Meanwhile, input cost inflation eased for the first time since April and remained subdued in comparison to the average seen since the survey began. Factory gate charges nonetheless increased at a solid pace in July, with the latest rise the fastest seen in 2014 so far.

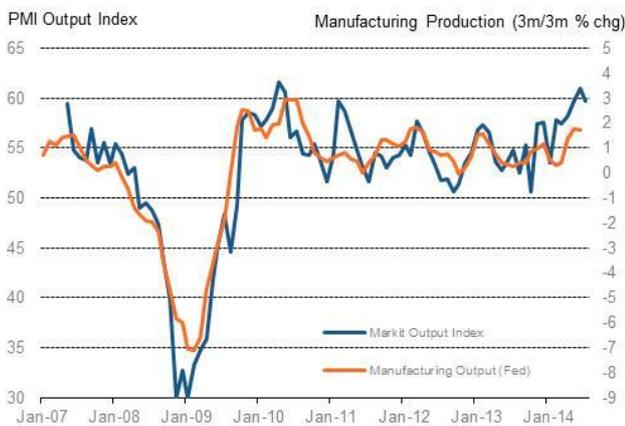
#### Company size and sector analysis

July data suggested that large manufacturers (500+ employees) saw the greatest moderation in output growth since the previous month. Small manufacturers (1-99 employees) bucked the wider trend and posted their strongest rise in production

levels since April 2010. Meanwhile, medium-sized manufacturers (100- 499 employees) were the best performing in terms of jobs growth during the latest survey period.

All three market groups (consumer, intermediate and investment goods) registered strong rates of output growth in July. Investment goods producers posted the fastest rise in output. Meanwhile, consumer goods producers saw the least marked upturn in overall business conditions, with this sub-category the only market group to see a drop in staffing levels over the month.

### 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:

*“The buoyant manufacturing PMI survey raises hopes that we will see another quarter of strong economic growth in the third quarter. Although the pace of growth of manufacturing output slowed in July, it remained close to June’s four year high. The goods-producing sector is therefore on course to provide a significant boost to GDP in the third quarter, building on the 4% annualized growth surge seen in the second quarter.*

*“It’s also great to see the manufacturing upturn being led by strong demand for business equipment, which implies that the recent investment upturn continued into July and should likewise help to boost third quarter GDP.*

*“The one area of concern is the slackening pace of employment growth signalled by the survey, which suggests companies have become increasingly cautious about taking on new staff given growing uncertainties, such as the escalating situations in Russia and Gaza.*

*“With overseas worries likely to hit demand in key export markets, and exports having already stagnated in the past two months, overseas trade looks likely to continue to act as a drag on the US economy.”*

-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](mailto:chris.williamson@markit.com)

Tim Moore, Senior Economist  
Telephone +44-1491-461-067  
Email [tim.moore@markit.com](mailto:tim.moore@markit.com)

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

Alex Paidas, Corporate Communications  
Telephone +1-212-205-7101  
Mobile +1-646-246-4889  
Email [alex.paidas@markit.com](mailto:alex.paidas@markit.com)

## Note to Editors:

Markit originally began collecting monthly *Purchasing Managers' Index*<sup>™</sup> (*PMI*<sup>™</sup>) 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*<sup>™</sup> (*PMI*<sup>™</sup>) 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](mailto: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](http://www.markit.com)

### About PMI

Purchasing Managers' Index<sup>™</sup> (*PMI*<sup>™</sup>) 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](http://www.markit.com/economics).

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