

News Release

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

Robust services activity growth continues in April, but job creation slips to 13-month low

Key points:

- Activity rises for the sixth consecutive month
- New business growth rebounds since March
- Marginal rise in employment numbers

Service providers indicated a further rise in business activity during April, helped by a solid rebound in new order growth. However, job creation remained only marginal and the latest increase in payroll numbers was the slowest since March 2013. Input cost inflation accelerated in April, which in turn contributed to the fastest rise in output charges since the survey began in October 2009.

Adjusted for seasonal influences, the final **Markit U.S. Services Business Activity Index** registered 55.0 in April, down slightly from 55.3 in March and above the neutral 50.0 threshold for the sixth consecutive month. The latest reading was higher than the 'flash' estimate of 54.2 and pointed to a solid pace of output expansion that was broadly in line with the average seen over the first quarter of 2014 (55.1).

Final U.S. Services PMI™ Summary

50.0 = no-change on previous month (seasonally adjusted)

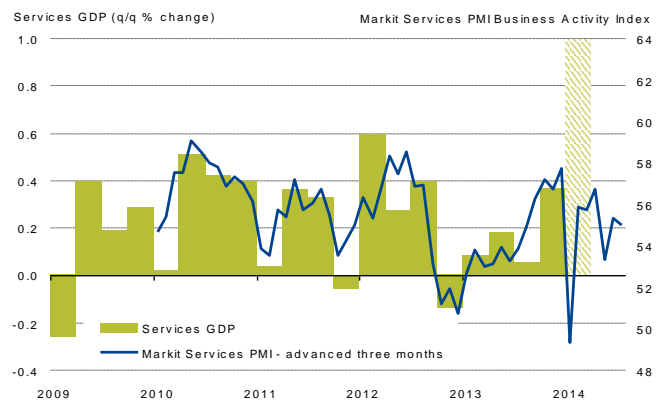
Index	Apr'14	Mar'14	Change signalled
Business Activity	55.0	55.3	Expansion, slower rate
New Business	55.1	53.0	Expansion, faster rate
Outstanding Business	47.4	48.3	Contraction, faster rate
Employment	51.2	51.8	Expansion, slower rate
Prices Charged	55.8	53.0	Rise, faster rate
Input Prices	55.9	53.2	Rise, faster rate
Business Expectations*	76.4	76.4	Optimism, unchanged

*not adjusted for seasonality

At 55.6 in April (54.9 flash), the seasonally adjusted final **Markit U.S. Composite PMI™ Output Index** (covering manufacturing and services) was down only fractionally from 55.7 in March. The index signalled a solid increase in private sector output,

but the latest reading was the second-lowest since October 2013.

Service sector business activity



Sources: Markit, Bureau of Economic Analysis.

Higher levels of services business activity were supported by a robust improvement in new orders in April. The latest survey indicated a marked rebound in new business growth from the 18-month low recorded in March. However, service providers mostly noted that the current demand environment was insufficient to generate capacity pressures at their units. As a result, backlogs of work dropped for the second month running and at the most marked pace since August 2013.

A lack of pressure on operating capacity led to only a subdued rise in services employment numbers in April. The rate of service sector jobs growth eased for the third successive month and was the weakest since March 2013.

April data indicated that service providers remain highly upbeat about the prospects for output growth at their units over the year ahead. More than half of the survey panel anticipate an expansion of business activity, which they generally linked to the launch of new products and signs of rising

underlying client demand.

Meanwhile, services input cost inflation picked up from the 11-month low registered in March. The latest increase in average cost burdens was the fastest since January. Stronger cost pressures in turn contributed to a robust rise in average prices charged by service sector companies. The latest increase in output charges was the sharpest since the survey began in October 2009.

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

“The survey data point to robust growth at the start of the second quarter, adding to hopes that the official data will show the economy rebounding strongly from the weather-related stalling seen in the first quarter

“The final services PMI came in higher than the flash reading and signals only a very minor slowing in the rate of expansion compared with March.

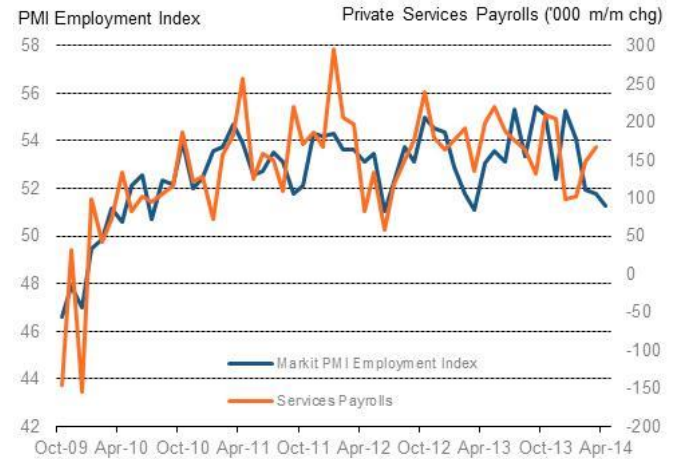
“Combined with the three-year high recorded by the manufacturing survey, the two PMIs suggest that the US economy enjoyed a strong start to the second quarter. GDP should rebound strongly from the 0.1% annualised rate seen in the first quarter. The final April PMI numbers are broadly consistent with a 2.5% annualised GDP growth rate.

“The good news needs to be qualified, however. First, the surveys suggest that the trend rate of growth has eased since late last year. With the exceptions of last October’s government shutdown and the weather-disruptions at the start of the year, April’s growth rate was the slowest since May last year.

“Second, the surveys are also signalling an easing in the rate of job creation since the start of the year, pointing to private sector payroll growth in the region of 100k, meaning a substantial slowing compared to the recent average 225k increases signalled by official data over the past three months.”

-Ends-

Employment



Source: Markit.

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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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