

## News Release

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
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### Markit Flash U.S. Manufacturing PMI™

## U.S. Manufacturing PMI hits three-month low in October amid weakest pace of new business growth since January

#### Key points:

- Output and new order growth both eased markedly in October
- Slowest rise in new export sales since July
- Robust rate of job creation maintained

Data collected 13 – 22 October 2014.

At 56.2 in October, down from 57.5 in September, the seasonally adjusted **Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**<sup>1</sup> indicated a slower improvement in overall business conditions across the manufacturing sector. Although still comfortably above the neutral 50.0 value, the index was the lowest since July and notably weaker than the average seen during the third quarter as a whole (57.1).

Softer new business growth was the main negative influence on the headline PMI in October, as the latest rise in new orders was much weaker than in September and the slowest for nine months. A number of survey respondents commented on more cautious spending patterns among clients, especially in relation to export sales. October data pointed to only a moderate expansion of new orders from abroad, with the pace of growth easing sharply to a three-month low.

In line with softer new business gains, manufacturing output growth also slowed in October. The latest increase in production volumes was the weakest since March. Moreover, the rate of output growth has now moderated for two months in a row, which represents the first back-to-back slowdown since May 2013.

October data pointed to resilient manufacturing payrolls trends, despite a continued moderation in both output and new business growth. The rate of

job creation was little-changed from September's two-and-a-half year high and much sharper than the average seen since the survey began in May 2007. Survey respondents generally pointed to increasing backlogs of work at their plants and positive sentiment towards the long-run business outlook.

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



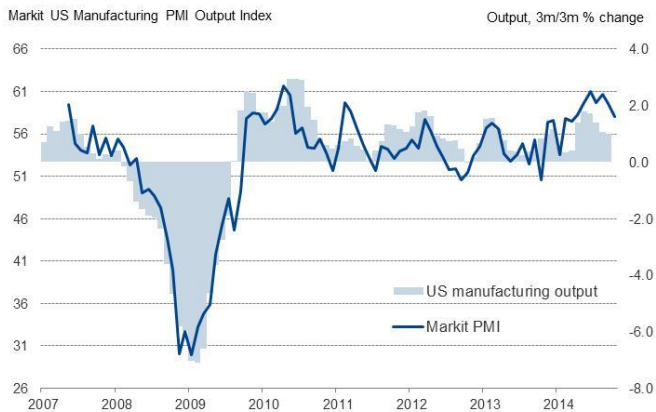
Source: Markit.

Manufacturers indicated an accumulation of post-production stocks for the fourth month running in October, although the rate of growth was only marginal. Meanwhile, pre-production inventory levels rose at the sharpest pace in the seven-and-a-half year survey history, which firms linked to a combination of increased purchasing activity and slower-than-expected output growth in October.

Input cost inflation eased markedly to its weakest for six months during October. Anecdotal evidence pointed to support from lower commodity prices during the latest survey period (especially copper). Reduced cost pressures in turn resulted in the slowest increase in factory gate charges for four months.

<sup>1</sup> Please note that Markit's PMI data, flash and final, are derived from information collected by Markit from a different panel of companies to those that participate in the ISM Report on Business. No information from the ISM survey is used in the production of Markit's PMI.

## Manufacturing output



Sources: Markit, U.S. Federal Reserve.

## Manufacturing employment



Sources: Markit, Bureau of Labor Statistics.

## Comment:

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

*"The flash PMI provides the first available glimpse into how manufacturing is faring at the national level at the start of the fourth quarter, and presents a mixed picture. The data will no doubt add to the view that policymakers should be in no rush to raise interest rates, with output and order book growth slowing and price pressures easing."*

*"On the other hand, sustained strong job creation will raise worries that slack continues to be eroded, which could drive up inflation in the medium term."*

*"Although output growth slowed to the weakest since March, the pace of expansion remains robust. Even expanding at this slower rate, the goods producing sector should help drive another solid upturn of the economy in the final quarter of the year."*

*"A concern is that growth of new orders weakened sharply, which may translate into a further slowdown in coming months. The source of the slowdown appears to be weaker economic growth in key markets such as the Eurozone, China and other emerging markets, which has hit export performance. Many companies reported that domestic demand remains reassuringly strong."*

*"It's also especially encouraging to see manufacturers' propensity to take on staff unaffected by the slower growth of new orders, which suggest firms are generally upbeat about future business prospects. Although job creation slowed slightly, recent months have seen the strongest spell of payroll growth since the global financial crisis."*

*"The survey also points to a further easing of price pressures in October, with both input costs and selling prices rising at weaker rates, largely due to lower energy costs."*

-Ends-

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## Note to Editors:

Final October data are published on 3 November 2014.

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 flash estimate 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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