

News Release

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

Production rises at fastest pace for just over three years in April

Key points:

- Stronger increases in output and new orders
- Staffing levels rise for tenth month running
- Input cost inflation slowest since May 2013

Data collected 11 – 22 April 2014.

Manufacturers indicated a strong start to the second quarter of 2014, with the latest survey highlighting expanding levels of production, new work and employment. At 55.4 in April, the **Markit Flash U.S. Manufacturing Purchasing Managers' Index (PMI)™**¹ was down fractionally from 55.5 in March but still well above the neutral 50.0 value. Sharper rates of output and new business growth boosted the Manufacturing PMI during April, while the main negative influence on the headline index was a rise in the suppliers' delivery times component.

Flash U.S. Manufacturing PMI™ Summary

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

Index	Apr'14	Mar'14	Change signalled
PMI	55.4	55.5	Expansion, slower rate
Output	58.2	57.5	Expansion, faster rate
New Orders	58.9	58.1	Expansion, faster rate
New Export Orders	51.9	51.1	Expansion, faster rate
Employment	53.8	53.9	Expansion, slower rate
Backlogs of Work	55.2	54.5	Expansion, faster rate
Output Prices	50.9	51.6	Rise, slower rate
Input Prices	53.5	54.5	Rise, slower rate
Stocks of Purchases	48.8	50.8	Contraction, change of direction
Stocks of Finished Goods	49.0	47.9	Contraction, slower rate
Quantity of Purchases	57.0	55.3	Expansion, faster rate
Suppliers' Delivery Times	49.6	47.6	Lengthening, slower rate

Source: Markit.

¹ 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.

Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: Markit.

April data pointed to a steep and accelerated expansion of manufacturing **output** levels. The latest increase in production was the fastest since March 2011, with survey respondents mainly citing improving underlying economic conditions and stronger domestic demand. Robust output growth and greater confidence about the business outlook contributed to a solid upturn in manufacturing **employment**, which extended the current period of job creation to ten months.

Manufacturers signalled a robust and accelerated increase in **new business** volumes in April, with the rate of growth the second-fastest since May 2010 (only exceeded by the weather-related rebound seen in February). The latest increase in **new orders from abroad** was the strongest since August 2013, although export trends remained subdued in comparison to overall new business gains across the manufacturing sector.

Stronger new order growth contributed to a build-up of **unfinished work** for the third month running in April. The rate of backlog accumulation was one of the fastest recorded in the seven-year survey history. Some survey respondents indicated pressures on operating capacity at their plants, while others cited ongoing disruptions to production

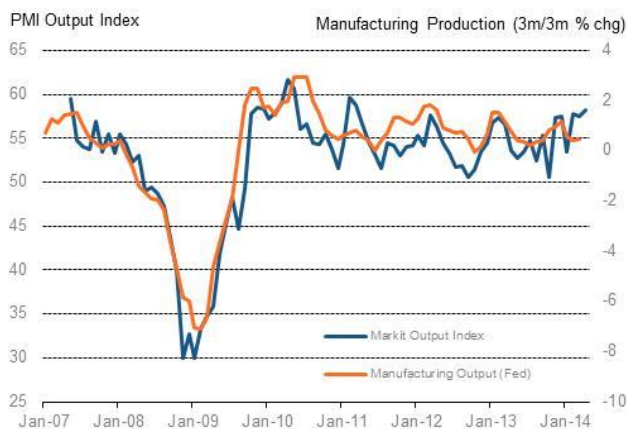
from raw material shipment delays.

Input buying among manufacturing firms increased at the sharpest pace for just over two years in April, but greater output requirements contributed to a decline in **stocks of purchases** for the first time since the start of 2014. Meanwhile, manufacturers noted that **finished goods inventories** were reduced at the slowest pace since last December.

Suppliers' delivery times lengthened again in April, reflecting strong demand for inputs and low stocks at vendors. However, the rate of deterioration eased sharply since March, with the latest downturn in supplier performance also much less marked than that seen during the weather-related disruptions earlier in the year.

On the inflation front, manufacturers experienced a further solid increase in average **cost burdens** in April. That said, the rate of input price inflation was the slowest since May 2013, which in turn contributed to the weakest increase in **factory gate charges** for nine months.

Manufacturing output



Sources: Markit, U.S. Federal Reserve.

Manufacturing employment



Sources: Markit, Bureau of Labor Statistics.

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

“Manufacturers reported a solid start to the second quarter, with output growing at its fastest pace for over three years. With manufacturing acting as a good bellwether of the rest of the economy, the survey bodes well for further robust economic growth in the second quarter.”

“Companies are taking on staff to build operating capacity in the face of an increasingly favourable outlook. The April survey recorded ongoing job creation in the region of 10-15k per month in the goods producing sector.”

“This is a domestic-led upturn: although new export orders rose at an increased rate, faster growth of new orders is being driven by surging demand from US markets. With new orders growing at one of the fastest rates we’ve seen since the immediate rebound from the 2008-9 recession, further output and employment growth are to be expected in coming months.”

“Despite the upturn, there are signs of price pressures easing. Input costs showed the smallest rise seen over the past year and prices charged barely rose; something that will feed fears that the recovery remains on a weak foundation of intense price competition.”

-Ends-

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Note to Editors:

Final April data are published on 1 May 2014.

Markit originally began collecting monthly *Purchasing Managers' Index*[™] (*PMI*[™]) 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*[™] (*PMI*[™]) 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.

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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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