

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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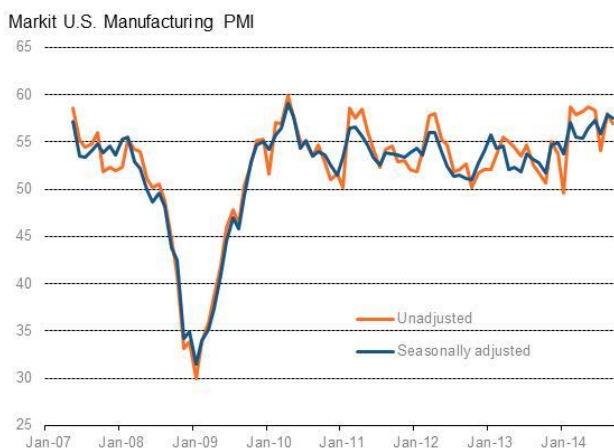
Markit U.S. Manufacturing PMI™ – final data

Manufacturing job creation hits two-and-a-half year high

Key points:

- Strong output and new orders growth maintained
- Fastest increase in payrolls since March 2012
- Input cost inflation highest in 2014 to date

Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: Markit.

Summary

September data pointed to another positive month for the U.S. manufacturing sector, with strong rates of output and new orders growth underpinning the fastest expansion of payroll numbers for two-and-a-half years. There were again signs of rising price pressures in the manufacturing sector, with input costs and factory gate charges rising at the sharpest rates since December 2013.

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 57.5 in September, down slightly from 57.9 in August but

well above the neutral 50.0 threshold. The earlier 'flash' reading was 57.9 in September. The headline PMI signalled a robust improvement in business conditions and the latest reading was much stronger than the average seen since the series began in 2007 (52.0).

Manufacturing production increased sharply in September, although the rate of expansion eased to a four-month low. Survey respondents widely commented on improving underlying economic conditions, alongside greater expenditure among clients in both domestic and export markets. There were also reports that successful new product launches and rising investment spending had boosted manufacturing workloads in September. Strong overall new business gains were supported by one of the fastest increases in new export orders seen over the past three years.

Higher levels of new work placed pressure on operating capacity at some manufacturing firms in September, as highlighted by a further robust increase in outstanding business volumes across the sector. Backlogs of work have now accumulated in each of the past eight months, which is the longest continuous period since 2011-2012. This in turn fuelled manufacturing job creation in September, with the latest expansion of payroll numbers the fastest since March 2012.

Input buying meanwhile increased at a robust pace during September, and delivery times from suppliers lengthened for the fifteenth successive month. The latest survey pointed to additional inventory building amid greater confidence in the outlook for client spending, with pre-production stocks and finished goods inventories both rising over the month.

Operating margins came under pressure from a sharp and accelerated rise in average cost burdens during September. The rate of input price inflation hit a nine-month high, with firms citing increased raw material costs, salary payments and transportation bills. However, in line with the trend for input costs, latest data also pointed to the sharpest rise in factory gate charges in 2014 so far.

Company size and sector analysis

September data highlighted that large manufacturers (500+ employees) continued to register the strongest improvement in business conditions, and the latest upturn was the fastest for just over four years. The outperformance of large manufacturers was particularly marked in terms of new export order growth and job creation in the latest survey period. Small manufacturers (1-99 employees) continued to experience the weakest improvement in business conditions.

Strong rates of output growth were recorded across the three monitored market groups in September (consumer, intermediate and investment goods). Investment goods producers posted the sharpest expansion, followed by intermediate goods. However, the consumer goods sector registered the fastest increase in payroll numbers.

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 final PMI came in below the earlier flash reading, signalling a slight loss of growth momentum in manufacturing compared to August. However, this slowing needs to be put in the context of the rapid pace of growth seen in recent months. The September PMI reading in fact rounds off the strongest quarter recorded by the survey since the financial crisis, narrowly beating the previous peak seen when the economy was rebounding from recession in the second quarter of 2010.

“New orders growth also remained strong, encouraging firms to take on extra staff at a rate not seen since early-2012. The labour market upswing clearly bodes well for overall non-farm payroll growth to rise above 200,000 in September, especially given the improved rate of job creation also signalled by the flash services PMI.

“Recent months have also seen a welcome revival in export growth, suggesting trade should also help boost the US economy in the third quarter. GDP looks set to grow by at least 3.0% in the third quarter, with good momentum being sustained as we move into the final quarter of the year.”

-Ends-

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Note to Editors:

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 **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*[™] (*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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