

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0900 EDT 23 May 2013

Markit Flash U.S. Manufacturing PMI™

Manufacturing slowdown continues, as output growth eases to seven-month low

Key points:

- PMI falls for second month running in May
- New order growth picks up since April
- Job creation at seven-month low
- Rate of input price inflation quickens, but remains much weaker than series average

Data collected 13–22 May.

The **Markit Flash U.S. Manufacturing Purchasing Managers' Index™ (PMI™)**¹ fell for the second month running in May, falling to its lowest reading since last October. At 51.9, down marginally from April's 52.1, the flash PMI index, which is based on around 85% of usual monthly replies, was consistent with a moderate improvement in overall manufacturing business conditions.

Flash U.S. Manufacturing PMI™ Summary

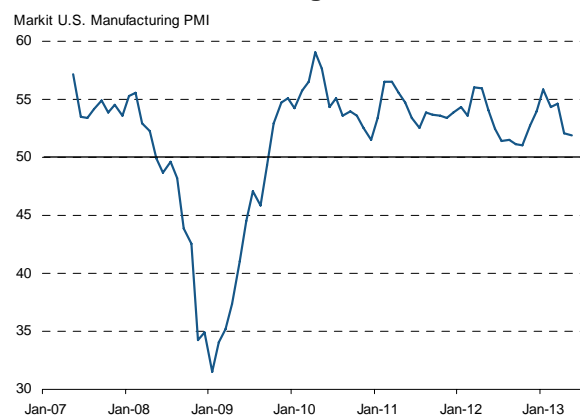
50.0 = no-change on previous month (seasonally adjusted)

Index	May'13	Apr'13	Change signalled
PMI	51.9	52.1	Expansion, slower rate
Output	52.8	53.7	Expansion, slower rate
New Orders	52.8	51.5	Expansion, faster rate
New Export Orders	49.4	51.8	Contraction, change in direction
Employment	52.2	53.2	Expansion, slower rate
Backlogs of Work	50.2	49.9	Expansion, change in direction
Output Prices	52.0	51.1	Rise, faster rate
Input Prices	53.6	52.2	Rise, faster rate
Stocks of Purchases	49.0	49.2	Contraction, faster rate
Stocks of Finished Goods	49.7	50.9	Contraction, change in direction
Quantity of Purchases	50.4	51.2	Expansion, slower rate
Suppliers' Delivery Times	49.6	49.2	Lengthening, slower rate

PMI readings above 50.0 signal an increase or improvement on the prior month, while readings below 50.0 indicate a decrease.

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.

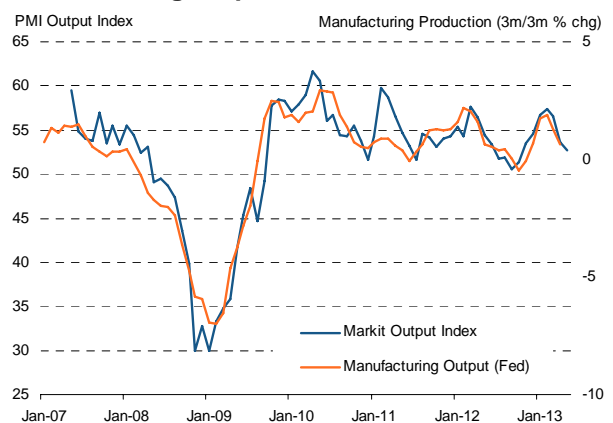
Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: Markit.

Production in the manufacturing sector rose further in May, but the rate of growth has continually slowed since February's recent peak. Overall, the latest increase in **output** was moderate and the weakest in 2013 to date.

Manufacturing output



Sources: Markit, U.S. Federal Reserve via EcoWin.

Firms linked the increase in output to larger **new order** volumes, which grew at a stronger pace than one month previously. The increase in new work largely reflected gains in the domestic market, however, as manufacturers reported a renewed decline in **new export orders**.

Manufacturing **employment** rose further in May, with a number of panellists hiring additional staff to work on new product developments. That said, the overall rate of job creation was modest and the weakest since last October.

Input price pressures picked up in May, with higher costs for plastics, metals and electronics reported by survey respondents. Nonetheless, the overall rate of **input price** inflation was much weaker than that seen towards the end of 2012 and the start of 2013.

Manufacturers passed on greater costs to clients by raising their selling prices. **Output charges** rose modestly and at a stronger pace than in the previous survey period.

Reflective of higher production requirements, the quantity of inputs bought by manufacturers increased in May. **Purchasing volumes** rose only marginally, however, with the latest increase the weakest since a reduction in December 2010. **Suppliers' delivery times** meanwhile lengthened further in May, but this was only slight and to a lesser degree than in April.

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

"With the PMI hitting a seven-month low, the U.S. manufacturing economy continues to show signs of weakening. Growth has slowed sharply in recent months, down from an annualised pace of 4.9% in the first quarter to just 1% in May.

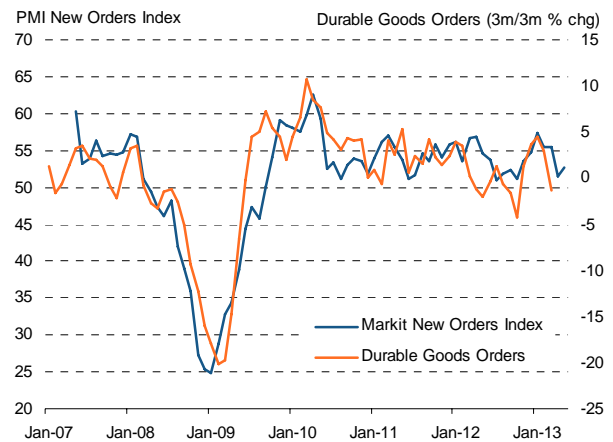
"The goods-producing sector is therefore likely to have provided only a modest boost to the U.S. economy in the second quarter, providing further worrying signs that growth remains lacklustre.

"Slower growth could be linked to a combination of fiscal drag hurting demand at home while at the same time many export markets remain in fragile states. The latter led to a renewed decline in export orders in May.

"There was also disappointing news in relation to job creation. With employment growing at the slowest rate since last October, the survey suggests that the Fed cannot risk tapering its stimulus any time soon."

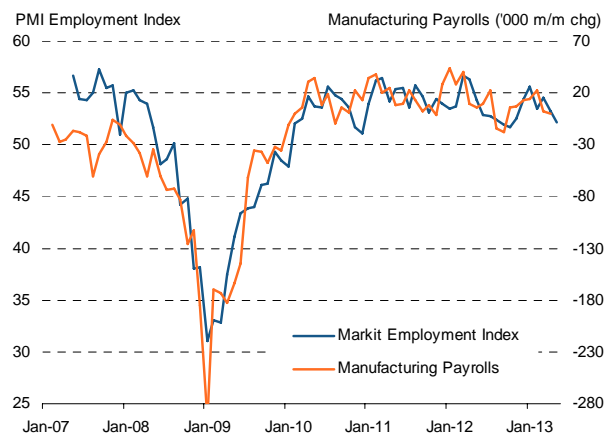
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Manufacturing new orders



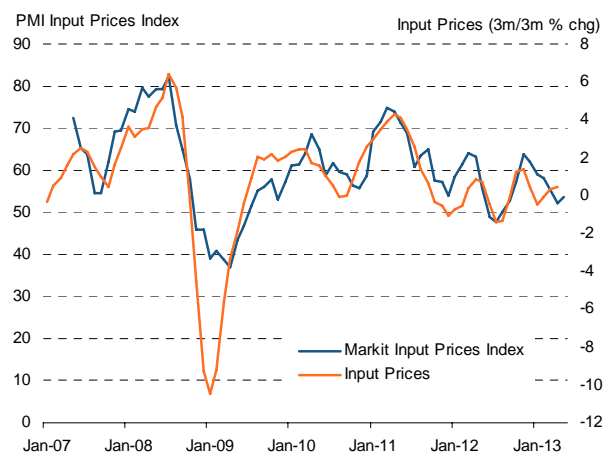
Sources: Markit, U.S. Census Bureau via Ecwin.

Manufacturing employment



Sources: Markit, Bureau of Labor Statistics via Ecwin.

Input prices



Sources: Markit, Bureau of Labor Statistics via Ecwin.

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Note to Editors:

Final May data are published on 3 June 2013.

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.

About Markit

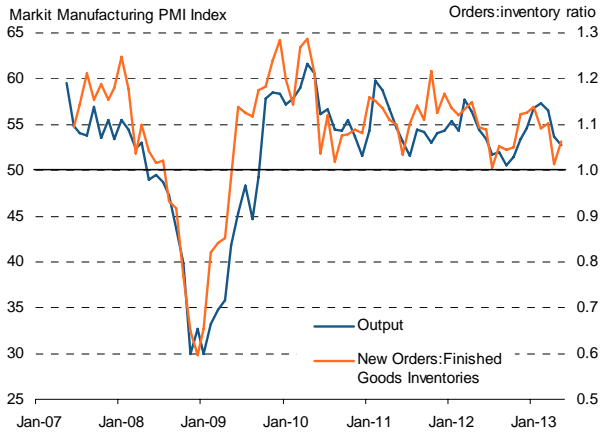
Markit is a leading, global financial information services company with over 2,800 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information, see <http://www.markit.com/en/>.

About PMIs

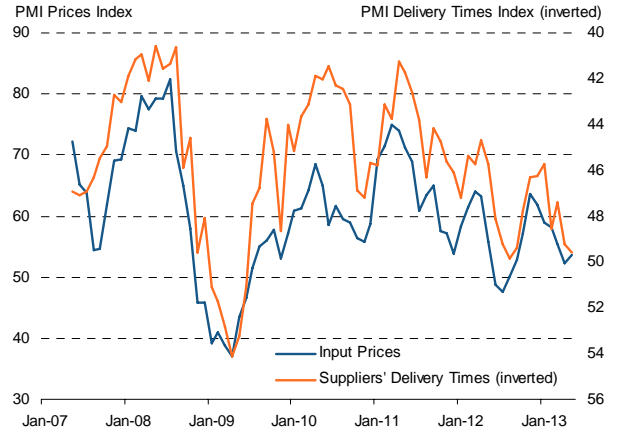
Now available for 32 countries and key regions including the Eurozone, *Purchasing Managers' Index*[™] (*PMI*[™]) surveys have become the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/economics.

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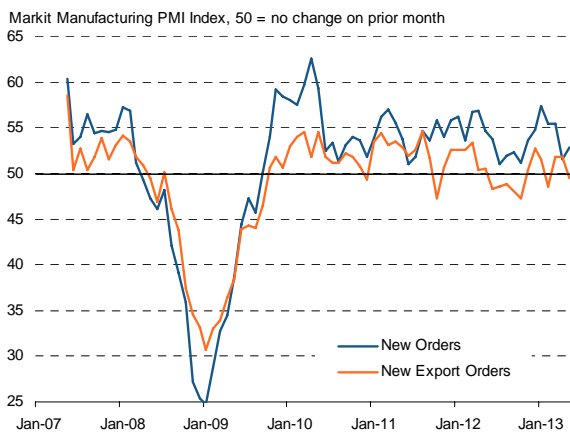
Output and orders:inventory ratio



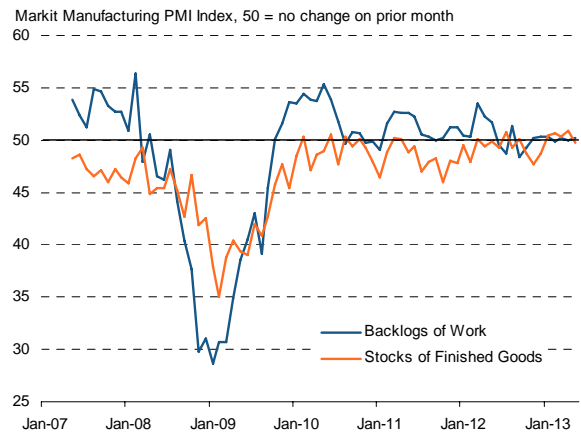
Supply chain delays



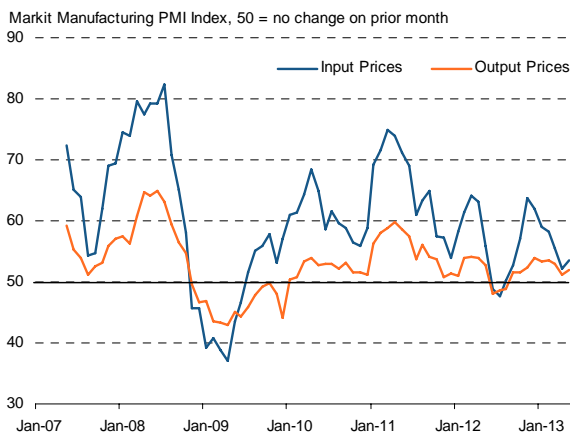
New orders



Backlogs of work and warehouse inventories



Prices



Purchasing and input inventories

