

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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Markit/CIPS UK Manufacturing PMI®

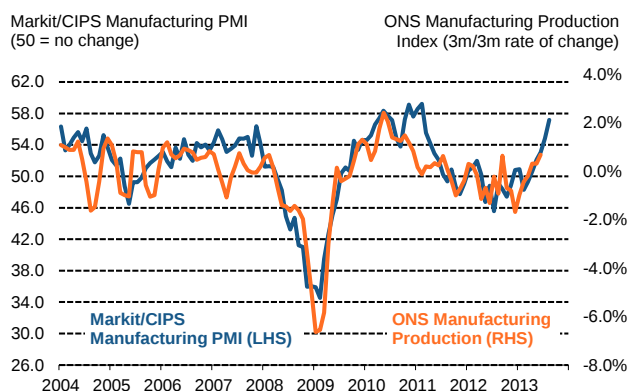
Output and new orders rise at fastest rates since 1994

Data collected 12-27 August 2013

Key points:

- Manufacturing PMI at two-and-a-half-year high
- Output and new orders expand sharply
- Input cost inflation surges higher

Historical Overview:



Summary:

Latest data indicated that the UK manufacturing sector maintained its robust start to the third quarter of 2013. After the solid increases in output and new orders registered in July, August saw the momentum continue to build, with growth rates for both variables at their highest since 1994. However, cost inflationary pressures surged higher on the back of rising raw material prices.

The seasonally adjusted Markit/CIPS *Purchasing Manager's Index*® (PMI®) hit a two-and-a-half year high of 57.2 in August, up from a revised reading of 54.8 in July (previously reported as 54.6). The PMI has signalled expansion for five successive months.

Although the output and new orders components contributed strongly to the latest PMI reading, the positive influences of employment and suppliers'

delivery times were muted in comparison and stocks of purchases showed a modest decline.

Manufacturing output increased at the fastest pace since July 1994, with marked expansions signalled across the consumer, intermediate and investment goods sectors. The performance of intermediate goods producers was the strongest, with the pace of output growth hitting a series record.

New orders rose for the sixth month running and to the greatest degree since August 1994. The domestic market was the main source of new contracts, although there was also a solid increase in overseas demand.

Companies linked higher order volumes to successful new product launches, promotional activity and improved client confidence. On the export side, there were reports of stronger demand from the USA, China, mainland Europe, India, Scandinavia, Brazil and Ireland.

The main negative finding from the latest survey was a marked upsurge in cost inflationary pressures at manufacturers. Average input prices rose at the fastest rate for two years and at an above survey average pace. The month-on-month upward movement in the Input Prices Index (10.4 points) was the second-steepest in the survey history. Companies reported higher prices paid for commodities, feedstock, oil, paper, polymers and timber. Average selling prices also increased, but to a much lesser degree than registered for costs.

Job creation was signalled by UK manufacturers for the fourth month running in August. Additional staff hires reflected stronger order inflows, with positions filled in production, research, management and support teams. The improved performance of the sector also encouraged a marked step up in purchasing activity, with input buying volumes increasing at the fastest pace since October 2010.

Comment:

Rob Dobson, Senior Economist at survey compilers Markit:

"The UK's factories are booming again. Orders and output are growing at the fastest rates for almost twenty years, as rising demand from domestic customers is being accompanied by a return to growth of our largest trading partner, the eurozone.

"The sector therefore continues to build on the solid 0.7% expansion registered during the second quarter, and growth could easily break the 1.0% mark in the third quarter. Manufacturing is clearly making a strong positive contribution to the economy, providing welcome evidence that the long-awaited rebalancing of the economy towards manufacturing and exports is at last starting to take place now that our export markets are recovering.

"Looking at the broader economic picture, the new forward guidance provided by the Bank of England places greater emphasis on job creation alongside economic growth and price inflation. While the latest PMI suggests that the output side is increasingly positive, the news on the other fronts is much less so. Employee numbers crept up only slightly, as companies squeezed extra output from existing resources. At the same time, the rate of input cost inflation surged upwards on the back of rising oil and related prices."

David Noble, Chief Executive Officer at the Chartered Institute of Purchasing & Supply:

"Manufacturing maintained Q3 momentum to reach a two and a half year high thanks to the biggest jump in output and new orders in almost two decades. This boon was driven by strong domestic demand and accelerated growth in export orders; all of which are a sign of growing confidence in the UK economy more broadly.

"It is particularly promising to see strong performance across all three sectors of the market. The intermediate sector and industry bellwether was the strongest performer in August, which bodes well for the future.

The continued growth in new orders has placed pressure on suppliers however, with average delivery times lengthening for the third consecutive month. Employment growth too was muted in the last month as firms sought to maximise staff capacity before recruiting. These temporary pressures are by no means terminal, however, the sharpest rise in input prices in two years, is a pressing concern, and will be one to watch in the coming months as firms try to protect their profit margins."

The September 2013 Report on Manufacturing will be published on:

Tuesday 1st October 2013 at 09:30

-Ends-

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Notes to Editors:

Where appropriate, please refer to the survey as the Markit/CIPS UK Manufacturing PMI®.

The Markit/CIPS UK Manufacturing PMI® is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 600 industrial companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on the regional, and industry contribution to 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'.

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.

The Markit/CIPS UK Manufacturing 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, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction. The individual survey indexes have been seasonally adjusted using the US Bureau of the Census X-11 programme. The seasonally adjusted series are then used to calculate the seasonally adjusted PMI. Markit do not revise underlying (unadjusted) survey data after first publication.

The *Purchasing Managers' Index*® (PMI®) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

About Markit

Markit is a leading, global financial information services company with over 3,000 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 please see www.markit.com.

About PMIs

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.

About CIPS

The Chartered Institute of Purchasing & Supply (CIPS) is the world's largest procurement and supply professional organisation. It is the worldwide centre of excellence on purchasing and supply management issues. CIPS has a global community of 100,000 in 150 countries, including senior business people, high-ranking civil servants and leading academics. The activities of procurement and supply chain professionals have a major impact on the profitability and efficiency of all types of organisation and CIPS offers corporate solutions packages to improve business profitability. www.cips.org

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