News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 09:30 (UK), 1st October 2014

Markit/CIPS UK Manufacturing PMI®

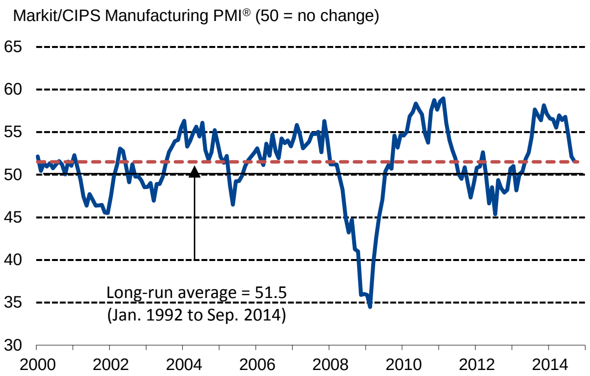
Manufacturing PMI at 17-month low as new order growth slows to near-stagnation

Data collected 12-25 September 2014

Key points:

- Manufacturing PMI posts 51.6, down from 52.2 in August
- Growth of output and new orders ease further
- Price pressures remain subdued

Historical Overview:



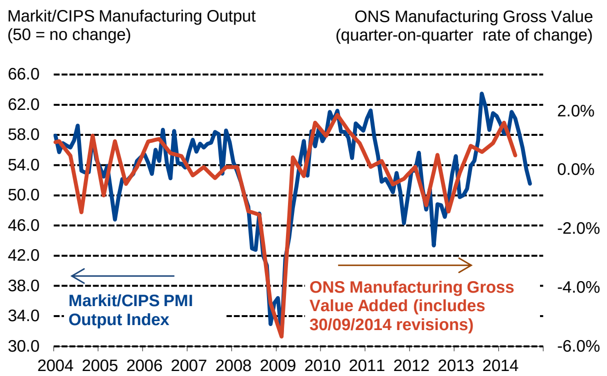
Summary:

Growth of the UK manufacturing sector slowed further in September, as companies reported weaker increases in production, new business and new export orders. Price pressures were also relatively muted, as output charge inflation slowed further and input costs fell for the first time in five months.

At 51.6 in September, the seasonally adjusted Markit/CIPS *Purchasing Manager's Index®* (*PMI®*) fell to a 17-month low and a reading only slightly above its long-run average of 51.5.

The average PMI reading in the third quarter (52.8) was also the weakest since the second quarter of last year and down sharply from those seen during the first half of this year.

The mid-year slowdown in the rate of expansion of manufacturing production continued in September, as growth of new orders eased to near-stagnation. Companies indicated that new business rose at softer rates from both domestic and overseas markets.



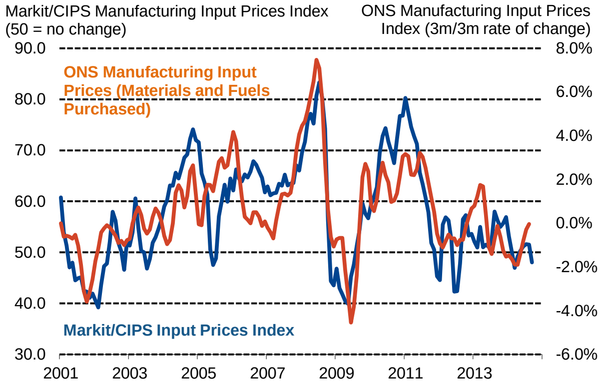
Growth of new export business was the slowest in the current 18-month sequence of increase, as the sterling-euro exchange rate and weaknesses in the euro area economy impacted on sales to a number of nations within the currency union. Where an increase in new export orders was reported, this reflected demand from North America, Germany, Scandinavia and the Middle East.

In contrast to the output and demand indicators, job creation accelerated during September, regaining most of the momentum lost in the prior month. However, the rate of increase in payroll numbers remained below those registered during the opening half of the year.

Average output prices rose at the slowest pace during the current 15-month sequence of increase in September, as lower raw material costs and higher competition restricted selling price inflation. The reduction in average purchase prices was the first in five months. The decline was largely driven by lower commodity prices and, in the case of imported inputs, exchange rate factors.

Backlogs of work declined for the seventh successive month in September, as companies maintained sufficient capacity to meet the needs of new and existing contracts.

Aiding the depletion of outstanding business was a reduction in stocks of finished goods. Inventories of purchased goods also showed a further decline, although higher levels of purchasing activity eased some of the pressure on input stock levels.



Comment:

Rob Dobson, Senior Economist at survey compilers Markit:

"The strong upsurge in UK manufacturing sector at the start of the year appears to have run its course, with the September PMI at a 17-month low and growth of new orders easing to near-stagnation.

"Inflows of new work slowed in both domestic and export markets. Overseas demand was reined in mainly by the ongoing lethargy of the eurozone and the appreciation of sterling against the euro.

"Yesterday's revisions to the official measure of manufacturing output placed second quarter growth at 0.5%, better than the 0.2% originally estimated by the ONS but still a shade below the stronger signals provided by the PMI and other survey indicators. On this basis, the official measure is likely to creep close to the stagnation mark in quarter three.

"The weakening of the manufacturing PMI data in August was cited as a major concern among the Bank of England's Monetary Policy Committee. September's disappointing reading will therefore add to the air of caution as to whether the economy is ready for higher interest rates. PMI releases later this week on construction and the dominant service sector will be scoured for signs that the slowdown in the goods-producing sector may have spread to other sectors. Also important will be the trend in prices. With manufacturers reporting weaker selling price increases and a fall in input costs, the picture of waning inflationary pressures painted by industry may provide some leeway for the Bank of England to hold off from raising rates even if strong growth persists."

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

"The slowdown trend in the manufacturing sector which has been developing in recent months became embedded in September, with growth of output and new orders slowing, and resulting in a 17-month low in performance. Whilst the sector is still expanding, growth is much softer than that seen in the first half of the year and indicates that growth in manufacturing may be harder to find in the final quarter of the year.

"The continued weakness in Eurozone countries and the euro-sterling exchange rate appeared to particularly undermine growth in September, and resulted in near stagnation in new manufacturing orders. Demand from North America, Scandinavia and the Middle East helped to offset this slowdown but with fifty percent of the UK's exports going to the EU, manufacturers are once again faced with the need to seek out new opportunities if broad-based, long-term growth for the sector is to be assured.

"Manufacturers reported an acceleration in job creation in September in comparison to the previous month, signifying that there is little spare capacity. With output price inflation at the lowest for 15 months and backlogs of work declining for the seventh successive month, it seems that manufacturers are adopting a "wait and see" approach to this slowdown. So anyone involved in supply chains and the wider economy will be watching carefully as we head towards the end of 2014."

The October 2014 *Report on Manufacturing* will be published on:

Monday 3rd November 2014 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 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.

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.

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