News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 09:30 (UK), 3rd March 2014

Markit/CIPS UK Manufacturing PMI®

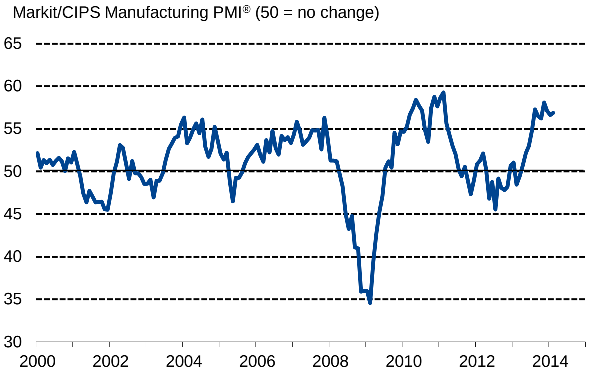
Manufacturing employment rises at fastest pace since May 2011

Data collected 12-25 February 2014

Key points:

- Manufacturing PMI ticks higher
- Strong growth of output and new orders
- Job creation hits 33-month record

Historical Overview:



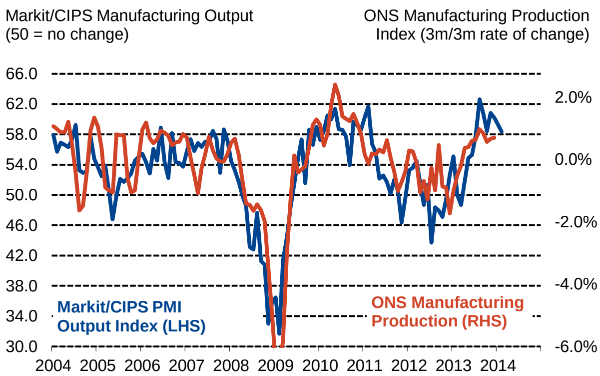
Summary:

The strong upswing in the UK manufacturing sector was maintained during February, as levels of production and new business continued to rise at robust and above-trend rates. The solid performance of the sector again filtered through to the labour market, with jobs added at the fastest pace since May 2011.

At 56.9 in February, from a revised reading of 56.6 in January, the seasonally adjusted Markit/CIPS Purchasing Manager's Index® (PMI®) ticked higher and signalled improved operating conditions for the eleventh straight month.

The strengthening domestic market remained the primary driver of the manufacturing recovery, underpinning an eleventh successive monthly rise in production volumes. Companies also linked higher output to promotional activity, new product launches and investment in new machinery.

Consumer, intermediate and investment goods producers all reported robust increases in output, new orders and employment during February, suggesting that the upturn remained broad-based by sector.



New export business also posted a solid gain in February. However, the rate of increase eased from January's near three-year record. Manufacturers reported improved inflows of new work from clients in Europe, the US, China, the Middle East and Africa.

The pace of jobs growth reached a 33-month high in February, as the improved performance of the sector encouraged companies to take on more staff. Also underpinning the rise in employment were signs of strain on the capacity of some firms, as highlighted by a slight gain in backlogs of work during the month.

Strong demand also aided the pricing power of UK manufacturers, as average selling prices rose for the eighth month running and to a greater extent than in January. This mainly reflected efforts to improve profitability and recover prior cost increases, as the latest data showed that input prices were unchanged during February.

Holdings of finished goods were depleted for the fourth month running in February, with the rate of reduction being both marked and faster than in the previous survey period.

Stocks of purchases also dipped lower, but fell at only a moderate pace that was much slower than that signalled in January. The weaker pace of depletion mainly reflected a marked increase in purchasing activity at UK manufacturers.

Comment:

Rob Dobson, Senior Economist at survey compilers Markit:

"The survey suggests we should expect another quarter of robust economic growth in the opening quarter of the year. The Manufacturing PMI ticked higher in February to provide welcome reassurance that the sector has weathered the storms and flooding in parts of the country during the month. Growth of production and new orders lost only a little momentum and are still rising at above trend rates.

"This mini-renaissance in manufacturing is also driving the sharpest job creation since the middle of 2011, which will support the broader economic recovery through improved consumer confidence and spending.

"The latest data also provide positive news on the investment-side of the economy. Capital goods producers reported the strongest output growth of the three market segments covered by our survey, and are still reporting some of the steepest gains in new work during the past two decades. Maintaining this positive performance will be a key factor in achieving the long-awaited rebalancing of UK growth away from the consumer and financial sector and towards investment and exports.

"On the export front, a slower increase in new export orders was a bit disappointing, attributed in many cases to the recent appreciation of sterling. However, overseas contract wins should remain a spur to growth as conditions in key markets such as the US and eurozone improve further."

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

"UK manufacturing remains remarkably resilient in February, with employment levels speeding ahead. Driving the trend of recovery this month was the rate of increase in staffing levels, which reached a 33-month high. Increasing levels of production, new orders amongst the steepest in the survey's history and positive expectations, helped sustain this solid growth and are encouraging signs for the next few months.

"Supporting the industry's upswing in February was the strong domestic market which was the prime source of new business and sale volumes. Conversely to the previous month, overseas demand, despite remaining elevated, lost some of its impetus, with exchange rate fluctuations playing a part.

"Input prices showed no change, giving factories some breathing space to increase their selling prices and allowing them to catch up on profitability, whilst protecting margins. Added to this, backlogs of works increased for the first time in over three years, keeping hopes of stability alive for the months ahead."

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

Tuesday 1st April 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 11 countries. 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