

## News Release

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:30 (UK), 1<sup>st</sup> October 2013**

# Markit/CIPS UK Manufacturing PMI®

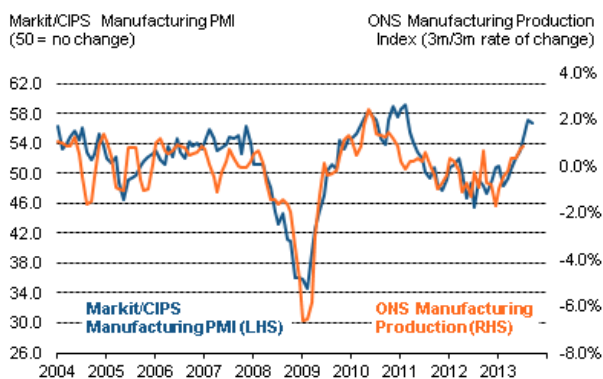
## Manufacturing growth spurt continues

Data collected 12-25 September 2013

### Key points:

- PMI stays close to August's two-and-a-half year peak
- Job creation strengthens on the back of solid output growth
- Input costs and output prices rise again

### Historical Overview:



### Summary:

The UK manufacturing sector continued to expand at a marked pace during September, to round off its strongest quarterly performance since the opening quarter of 2011. The labour market also showed further signs of improvement, as the rate of job creation climbed to a 28-month peak.

At 56.7 in September, the seasonally adjusted Markit/CIPS *Purchasing Manager's Index*® (PMI®) remained in expansion territory for the sixth successive month and was little-changed from August's two-and-a-half year peak of 57.1 (previously reported as 57.2).

Manufacturing production expanded for the sixth consecutive month in September, with the rate of increase staying close to August's 19-year high.

The growth rate in incoming new orders also lost only minor impetus from a similar peak reached in the prior survey month. The domestic market remained the prime source of new contact wins.

September data indicated that the growth in output and new order volumes was felt across the manufacturing industry, with all of the sub-sectors covered by the survey reporting increases in both.

The level of new export business also rose in September, but only moderately and to the weakest extent since May. Companies reported higher demand from the US, Europe, Asia, Middle-East, Scandinavia, Latin America, Russia and Australia.

September saw manufacturing staffing levels rise at the fastest pace since May 2011. Increased employment supported efforts to raise production and clear backlogs of work. Subsequently, the level of work-in-hand fell at a slightly faster pace than during the previous month.

Prices continued to rise in September, with both input costs and output charges higher than one month ago. Although the rate of purchase price inflation eased from August's two-year peak, it remained above its average for the year-to-date.

Manufacturers reported higher prices paid for commodities, dairy products, energy, feedstock, oil, paper and plastic. A key bellwether of future input price increases – average supplier lead times – also pointed to raw material cost pressures building.

Factory gate prices, meanwhile, increased for the third month running and to the greatest extent since September 2011. The main factor driving up output charges remained higher input costs. However, there were also reports of selling prices being raised to protect, or even improve, operating margins.

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**Comment:**

**Rob Dobson, Senior Economist at survey compilers Markit:**

*“UK manufacturing continues to boom, adding to the flow of upbeat data which suggest that the economy is growing faster than almost anyone expected. The September PMI survey showed rates of output and new order growth retreating only slightly from the 19-year peaks seen in August.*

*“Job creation is also on the rise, with manufacturers reporting the strongest employment growth since May 2011 as firms took on more staff to meet faster order book growth.*

*“These numbers are encouraging in respect to the rebalancing of the economy, with goods production likely to provide a major stimulus to economic growth in the third quarter. We would expect to see manufacturing output expanding by at least 1% in the three months to September and possibly by as much as 1.5%.*

*“The main disappointment came in the form of a slower rise in export orders. With the exchange rate still around 20% weaker than before the financial crisis, we would expect to be seeing far stronger export gains than companies are currently reporting, especially with the eurozone showing signs of finally pulling out of recession.*

*“With orders surging and stock levels falling, as demand exceeded production in a growing number of companies, the outlook for output and employment remains on the upside heading towards year end.*

*“This stronger than expected performance will raise further questions in the City with regards to the Bank of England’s forward guidance on interest rates remains appropriate.”*

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

*“The manufacturing sector maintained its stellar performance this month, building on last month’s 2-and-a-half-year high to round off the best quarter of growth since Q1 2011. Employment levels soared in September, rising at the sharpest pace since May 2011 completing a positive outlook for the rest of the year.*

*“The domestic market remains the engine for growth across all three sub sectors, boosting new business in the UK and giving manufacturers added confidence. Businesses will be hoping overseas demand, which rose moderately this month, can match that at home. This will be the key to unlocking continued growth.*

*“On the flipside however, increased demand has seen suppliers come under greater pressure and lengthening lead times. This has in part been caused by long shipping delays, particularly in raw materials, signalling the sector could be hit with further input price rises. For the time being however, firms on the most part have been able to pass these costs on and protect their margins.”*

**The October 2013 Report on Manufacturing will be published on:**

**Friday 1st November 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<sup>®</sup>.

The Markit/CIPS UK Manufacturing PMI<sup>®</sup> 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<sup>®</sup> 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*<sup>®</sup> (PMI<sup>®</sup>) 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](http://www.markit.com).

### About PMIs

*Purchasing Managers' Index*<sup>®</sup> (PMI<sup>®</sup>) 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](http://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](http://www.cips.org)

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