

## News Release

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

### Markit/CIPS UK Manufacturing PMI®

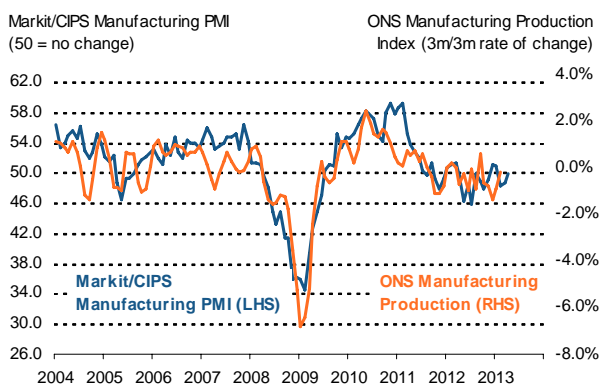
#### UK manufacturing sector stabilises in April

Data collected 12-25 April 2013

##### Key points:

- UK Manufacturing PMI at 49.8 in April, from 48.6 in March
- Output and new orders rise for first time since January
- Solid inflow of new export orders

##### Historical Overview:



##### Summary:

The UK manufacturing sector showed signs of stabilising at the start of the second quarter of 2013, as levels of production and new orders rose slightly after contracting in the prior two months.

At 49.8 in April, up further from February's four-month low, the seasonally adjusted Markit/CIPS Purchasing Manager's Index® (PMI®) signalled little change in overall operating conditions in the sector, following contractions in the prior two months.

Apart from the mild gain in new contracts, the modest recovery in production volumes also reflected efforts to clear backlogs of work. Output growth was centred on the consumer and investment goods sectors, although the rate of contraction at intermediate goods producers also eased.

Manufacturers benefited from a modest improvement in new export order inflows, which companies attributed to increased sales to clients in North America, the Middle East, Latin America and Australia. The level of new export work received rose for the first time in over a year and at the fastest pace since July 2011. However, demand from the euro area remained lacklustre.

After rising for seven successive months, April saw a slight decline in average purchase prices. Companies reported paying lower commodity and fuel prices. However, a number of firms continued to report higher costs for chemicals, food products and plastics. The ongoing weakness of sterling also contributed to increased import prices.

Average output charges rose further in April, taking the current sequence of increase to three-and-a-half years. There were reports of manufacturers acting to protect operating margins and pass on cost increases incurred earlier in the year. However, the rate of charge inflation eased to a five-month low, reflecting ongoing price competition in domestic and export markets.

Manufacturing job losses were recorded for the third straight month in April. A solid reduction in headcounts at intermediate goods producers more than offset higher employment in the consumer and investment goods sectors. However, the overall rate of job loss was only marginal and weaker than in the prior two months.

UK manufacturers maintained a cost cautious approach to purchasing and stock holding decisions during the latest survey month, with April data signalling further reductions to input buying volumes and holdings of both pre and post-production inventories. However, the rate of decline in purchasing activity eased sharply over the month.

**Comment:**

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

*“Following the poor start to the year, when manufacturing acted as a drag on the economy in the opening quarter, it is welcome to see the sector showing signs of stabilising in April. With forward-looking indicators such as new orders and the demand-to-inventory ratio also ticking higher, the sector should at least be less of a drag on broader GDP growth in the second quarter.*”

*“Manufacturers report that the domestic market is just about holding its head above water, but was still a key cause of disappointingly weak demand, while a solid improvement in new export orders was the real surprise.*”

*“Companies made further strides into selling to faster growth markets such as Latin America and the Middle East, as well as success in traditional targets like North America and Australia. This helped offset the ongoing drag on export performance from our largest trading partner, the euro area.*”

*“April also saw a further easing in price pressures, as input costs fell and selling prices rose at the weakest pace since last November. This provides head-room for the Bank of England’s MPC to extend its accommodative policy stance if GDP growth fails to gain traction in the coming months.”*

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

*“A march of the makers may be on its way following the first rise in export sales for a year with the Americas, Middle East and Australia making up for lacklustre demand in Europe giving the manufacturing sector something to savour. The sector’s steady performance in April, which saw an increase in output, was supported by easing prices for fuel and commodities, which is welcome news. However, increased prices elsewhere and the weak currency are a reminder of the difficult economic conditions which remain.*”

*The consumer goods sector is leading the revival in response to overseas demand and an improved performance in the investment goods industry bodes well. Intermediate goods, the bellwether of the sector, continue to struggle, but even their outlook has improved. Across the board, firms have increased their output prices, signalling some confidence in the sector, as they look to recoup Q1 losses and protect their profit margins.*

*We should not forget that the sector is not in rude health. A weak Q1 has led to continued job losses in April reminding us that the tough times will undoubtedly continue. Businesses remain cost cautious, but the latest figures are at least a chink of light in the tunnel.”*

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

**Monday 3<sup>rd</sup> June 2013 at 09:30**

-Ends-

## Contact Information:

**For economics comments, data and technical queries, please call:**

### Markit Press Office

Caroline Lumley, Director, Corporate Communications

Telephone: +44 20 7260 2047

Mobile: +44 781 5812162

Email: [caroline.lumley@markit.com](mailto:caroline.lumley@markit.com)

**For industry comments, please call:**

### CIPS

Trudy Salandiak

Tel: +44 1780 761576

Email: [trudy.salandiak@cips.org](mailto:trudy.salandiak@cips.org)

### Hill+Knowlton Strategies

Edward Jones

Tel: +44 (0)20 7413 3217

Email: [edward.jones@hkstrategies.com](mailto:edward.jones@hkstrategies.com)

## 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 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 please see [www.markit.com](http://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](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 over 94,000 in 150 different 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)

The intellectual property rights to the UK Manufacturing PMI provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are registered trade marks of Markit Economics Limited. Markit and the Markit logo are registered trade marks of Markit Group Limited.