

News Release

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

Markit/CIPS UK Manufacturing PMI®

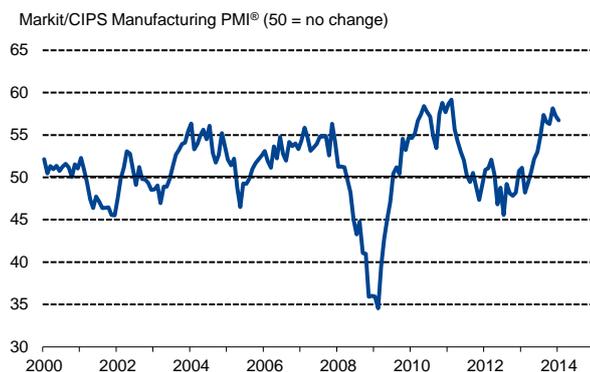
Strong UK manufacturing rebound continues

Data collected 13-28 January 2014

Key points:

- Manufacturing PMI at 56.7 in January
- Improved domestic demand and rising export orders support solid output growth
- Employment increases for ninth straight month

Historical Overview:



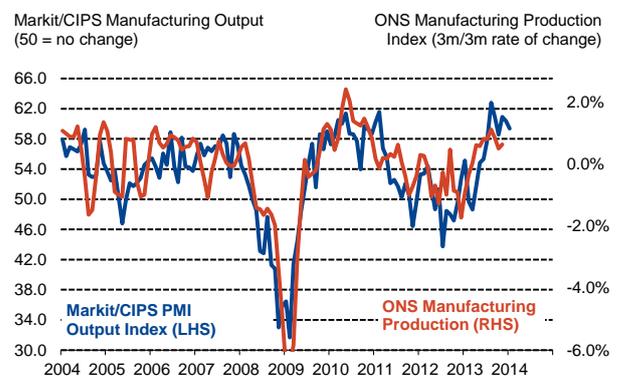
Summary:

The UK manufacturing sector made a positive start to 2014. Rates of expansion in output and new orders remained well above their respective long-run trends, supporting a solid increase in payroll numbers.

The seasonally adjusted Markit/CIPS *Purchasing Manager's Index*® (PMI®) posted 56.7 in January, down from December's 57.2. Although the PMI currently stands at its lowest level in three months, it is still well above the series average of 51.3. The headline index has signalled an improvement in operating conditions in each of the past ten months.

The strong upturn in manufacturing production was maintained in January, as companies scaled up output in response to stronger inflows of new orders. There were reports of improved demand

from the domestic market and rising levels of new business from overseas.



The latest expansion in new export orders was broad-based by source, with UK manufacturers mentioning improved demand from North America, mainland Europe, Asia, Brazil, Scandinavia and the Middle-East. Moreover, the ongoing improvement in global market conditions drove the rate of increase in new export business to a near three-year record.

The ongoing rebound in the sector led to further job creation at the start of the year. January saw employment increase for the ninth successive month, with the rate of jobs growth remaining close to November's two-and-a-half year high.



The latest rise in payroll numbers was broad-based. Increases were reported by SMEs and large-sized companies and across the consumer, intermediate and investment goods sectors.

Average purchasing costs rose for the ninth straight month in January, reflecting higher prices paid for a number of inputs (including timber and related by-products). However, the rate of increase eased to its weakest since last July. The steepest rise in input prices was registered in the intermediate goods sector. In contrast, rates of inflation eased

sharply at consumer and investment goods producers.

The combination of higher purchasing costs and improved demand led to a further solid increase in average selling prices in January. Output charges rose for the seventh successive month and at a pace close to December's 27-month record. Selling prices rose at medium and large-sized companies, but were broadly unchanged at small-scale producers.

Comment:

Rob Dobson, Senior Economist at survey compilers Markit:

"UK manufacturing made a strong start to the new year, continuing the robust upsurge in production seen at the tail end of 2013. Although the pace of output expansion has cooled slightly in recent months, growth is still tracking at one of the highest rates in the 22-year survey history. The broad base of the upturn is remarkable, with its benefits being felt across all product categories and at SMEs and large-scale producers alike."

"The domestic market remains the main pillar of the rebound, pushing the rate of expansion in total new orders back towards last November's 19-year record. The long awaited rebalancing of economic growth may also finally be within sight. Recent months have seen the largest surge in demand for UK investment goods for two decades, while new export orders are rising at one of the fastest rates ever recorded by the survey as global demand also undergoes a broad-based upswing."

"The latest survey provided good news on the jobs front as well, with manufacturers adding to their payrolls at one the fastest clips seen for two-and-a-half years. The ongoing improvement in the labour market in January adds further to the prospect of unemployment dropping below 7% imminently."

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

"The continued improvement in global market conditions has ushered in a broad based and fully fledged recovery in manufacturing. Sustaining growth close to November's near record numbers, the makers' march continued in January 2014, embodied by ever faster rates of new business growth and ongoing increases in employment levels."

"Whilst domestic demand continues to climb, it is the expansion overseas that promises continued growth. The illusive export market has long been heralded as the key to unlock UK economic growth and in manufacturing appears to be coming to fruition, with new business rates climbing fastest in nearly three years."

"This has enabled firms large and small, across the sector, to invest in staff, marking the ninth successive month on month increase in employment. The rate of growth in jobs has also remained close to November's two and a half year high. Whilst costs climbed yet again, firms were able to pass these on to customers, a further sign of bullishness across the sector."

The February 2014 Report on Manufacturing will be published on:

Monday 3rd March 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

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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

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