

News Release

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

Markit/CIPS UK Manufacturing PMI®

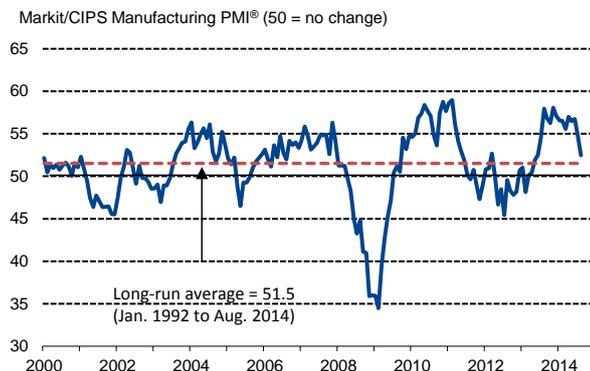
UK Manufacturing PMI at 14-month low

Data collected 12-26 August 2014

Key points:

- Manufacturing PMI posts 52.5 in August
- Growth of output and new orders slow further
- Manufacturing employment rises again

Historical Overview:



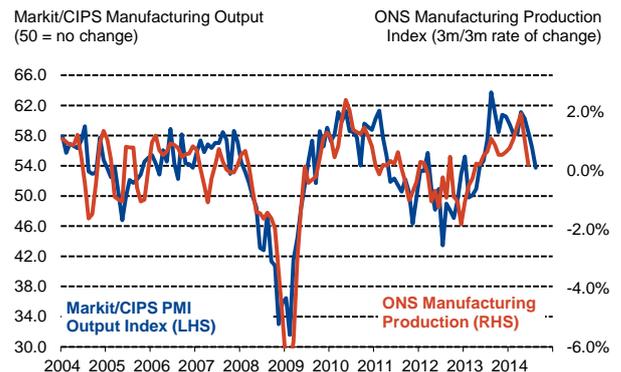
Summary:

The upturn in the UK manufacturing slowed further in August. The seasonally adjusted Markit/CIPS **Purchasing Manager's Index® (PMI®)** posted 52.5, down from 54.8 in July, to record its lowest reading since June last year.

Manufacturing output and new orders expanded again in August, taking the respective sequences of growth to one-and-a-half years in both cases. Companies linked higher production to growth of new orders from domestic and overseas markets.

The upturn also remained broad-based, with production and new business inflows continuing to rise across the consumer, intermediate and investment goods industries. Although the sector is nonetheless still achieving a reasonably solid pace of expansion, signs of a slowdown have become increasingly evident in recent months.

Survey indices for output and new orders are now around seven points lower than at the beginning of the second quarter. The easing in the growth rate of output in August was also as broad as the expansion, with rates of increase slowing across the three product categories covered.



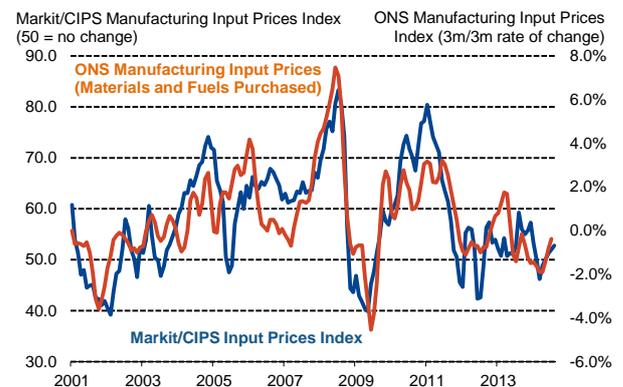
Foreign demand for UK manufactured goods increased for the seventeenth month in a row in August. Order inflows improved from clients in the USA, Canada, Asia and the Middle East. However, the rate of increase in new export orders was the lowest since March.

August also saw further job creation at UK manufacturers, with employment rising for the sixteenth straight month. The rate of growth in payroll numbers nonetheless slowed in line with the trends in output and new orders, hitting a 14-month low. Staffing levels were raised at SMEs, but trimmed moderately at large-scale producers.

The level of work-in-hand (but not yet completed) at UK manufacturers decreased for the sixth month running in August. Companies linked lower backlogs of work to higher production, increased employment and to settling contracts from existing inventories.

The level of stocks of finished goods subsequently dropped at the fastest pace since November 2013, taking the forward-looking new orders to inventory ratio to its joint-lowest in 16 months.

Purchase price inflation ticked higher in August, reaching a seven-month peak, but remained low by the historical standards of the survey. Average selling prices also posted a modest increase, albeit the least marked for three months.



Comment:

Rob Dobson, Senior Economist at survey compilers Markit:

“Growth of the UK manufacturing sector cooled further in August, taking the headline PMI down to a 14-month low of 52.5. The underlying dynamics of the survey also provided a consistent picture of a broad slowdown, with inflows of new business and new export orders weakening and the pace of job creation also easing. Sustaining the upturn is nonetheless still a positive in itself, and it should be noted that the pace of expansion remains solid and a touch above its long-run average.

“However, it is also becoming increasingly evident that UK industry is not immune to the impacts of rising geopolitical and global market uncertainty, especially when they affect economic growth and business confidence in our largest trading partner the eurozone. It is noticeable that where export orders were reported to have risen, companies mainly linked this to demand from North America, Asia and the Middle East, as opposed to our European partners.

“It therefore looks as if manufacturing will provide a lesser contribution to the UK economic growth story in the third quarter than at the start of the year. With the market’s focus firmly on the Bank of England for any signal on the timing of the expected move in interest rates, the MPC will likewise keep a watchful eye on the other sectors of the economy for signs they can offset the slowdown in manufacturing.”

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

“UK manufacturers were walking rather than running in August as the sector’s performance fell to a 14-month low and growth began to slow further. There is a distinct easing across the breadth of UK manufacturing, with growth in output, new orders and employment all reducing to a more pedestrian level.

“Growth in new export orders has slowed to a five-month low against a backdrop of market uncertainty and increasing geo-political tensions. To help plug the hole left by a faltering Eurozone, manufacturers are finding new markets in North America and the Middle East. Vitality however, manufacturers continue to anticipate growth for the foreseeable future, with SMEs in particular, still hiring to catch up with one and a half years of consecutive output and new order growth.

“There are signs of improved efficiency as backlogs of work shorten and stocks of finished goods are depleted, but the new status quo is likely to see the manufacturing sector stabilise at a smaller proportion of GDP than before the recession. The 15th consecutive month of growing supplier delivery times suggest that supply chains have not fully adjusted to the recovery and this may pose a long-term obstacle to manufacturers.”

The September 2014 Report on Manufacturing will be published on:

Wednesday 1st October 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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