

## News Release

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

### Markit/CIPS UK Manufacturing PMI<sup>®</sup>

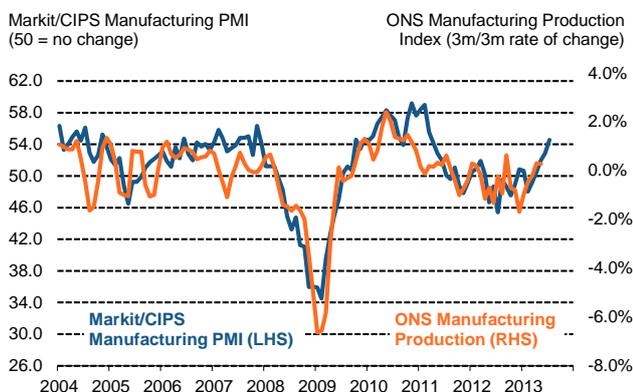
## Growth of UK manufacturing production and new orders surges higher in July

Data collected 12-26 July 2013

#### Key points:

- UK Manufacturing PMI at 28-month high
- Output and new orders rise sharply
- Price pressures remain subdued

#### Historical Overview:



#### Summary:

The upturn in the UK manufacturing economy continued to build momentum at the start of the third quarter, with growth rates for production and new orders the highest since February 2011. Although the domestic market remained the prime source of new contract wins, manufacturers also reported a solid improvement in overseas demand.

The seasonally adjusted Markit/CIPS Purchasing Manager's Index<sup>®</sup> (PMI<sup>®</sup>) rose to a 28-month high of 54.6 in July, up from a revised reading of 52.9 in June (originally published as 52.5). The PMI has remained above the neutral 50.0 mark – signalling expansion – since April, with its level improving in each of the past five months.

Manufacturing production increased for the fourth month running in July, as growth of new orders continued to strengthen. Companies reported improved domestic and export demand. New export business rose at the fastest pace for two years, reflecting increased sales to Australia, China, the euro area, Kenya, Mexico, the Middle East, Nigeria, Russia and the US.

The upturn was led by strong and accelerated growth of output and new orders in the consumer goods sector. Rates of increase also picked up at intermediate and investment goods producers.

Stocks of finished products fell at the fastest rate for over three years in July, mainly due to efforts to meet rising sales requirements. Increased production also led to higher purchasing activity and a depletion of input stocks.

The combination of accelerated new order growth and lower stocks bodes well for the trend in output going forward. This was highlighted by the new orders to finished goods inventory ratio rising sharply to one of its highest levels in the survey history.

Manufacturing employment rose for the third successive month in July, with the rate of job growth reaching a two-year high. Solid increases were seen in the capital and consumer goods sectors. Payroll numbers rose in the intermediate goods sector for the first time in the year-to-date, although only slightly.

Inflationary pressures remained relatively subdued during the latest survey month. Although input costs and selling prices both rose moderately in July, rates of inflation were below their respective series averages.

Higher factory gate selling prices were mainly linked to the pass through of increased input costs and efforts to protect margins. Companies reported

paying more for commodities, feedstocks, haulage, packaging, timber and utilities.

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**Comment:**

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

*“Today’s data provide positive news across the growth, prices and jobs fronts, as manufacturing output and new orders expanded at the fastest rates since February 2011, price pressures remained relatively subdued and the pace of payroll expansion hit a two-year high.*

*“The sector looks to be building on the foundation of the second quarter’s 0.4% return to growth reported by the latest official data, with the July PMI survey also showing an improvement in forward-looking indicators. Despite this, it is unlikely that the Bank of England’s MPC will announce any substantive change in policy direction at today’s press conference on the back of these numbers, preferring instead to wait and see if the broader economic recovery takes a firmer hold.*

*“The breadth of the upturn in manufacturing should aid in its sustainability. Although the consumer goods sector again outperformed its intermediate and investment goods peers, all three sectors reported strong accelerated growth in July. The performance of the domestic market, which was the prime source of new contracts, is also a real positive. But let’s not forget that there is also a strong export component in these positive numbers, as UK manufacturers benefitted from the sharpest growth in new export orders for two years as key markets such as the eurozone moved closer to stabilising.”*

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

*“The much vaunted march of the makers has finally materialised with the UK manufacturing sector’s output growth hitting a 29-month high in July. Exports have been critical to this success, but it is the broad based nature of the sector’s performance which endorses the view we are on track for solid and accelerated growth in the coming months.*

*The ability of British manufacturers to market themselves abroad was always seen as crucial to long-term success and so it has proved. New export business has grown at its quickest rate in two years in a sign that macro-economic conditions are improving. Domestic performance has also been strong.*

*The consumer goods industry has led the recovery, however it is perhaps even more encouraging to see increasing output and orders in both the intermediate and investment goods industries as well. As a result, confidence is high, jobs growth climbed to a two-year peak and the relatively subdued nature of inflationary pressures rounds off a very good month for manufacturers.”*

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

**Monday 2nd September 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®.

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 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*® (*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 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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