

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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Markit/CIPS UK Manufacturing PMI[®]

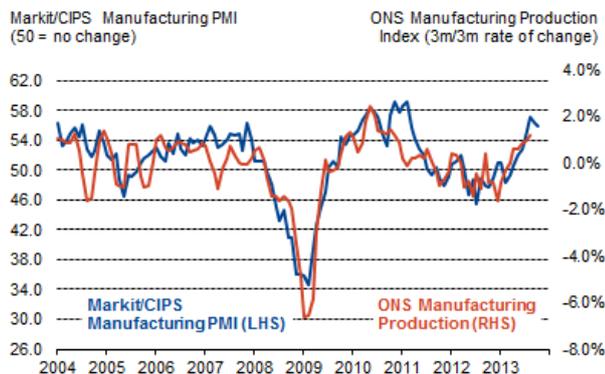
Manufacturing makes solid start to final quarter

Data collected 11-28 October 2013

Key points:

- Manufacturing PMI at 56.0 in October
- Order inflows strengthen as domestic and overseas demand improves
- Purchase price inflation eases further

Historical Overview:



Summary:

The UK manufacturing sector carried its strong third quarter performance into the final quarter of the year. October saw production and new orders both rise at rates above their respective long-run averages, leading to further job creation. The domestic market remained a prime source of new contract wins, while growth of new export business accelerated on the back of improving global market conditions.

At 56.0 in October, down from a revised reading of 56.3 in September, the seasonally adjusted Markit/CIPS *Purchasing Manager's Index[®]* (PMI[®]) signalled an improvement in overall operating conditions for the seventh straight month. The rate of expansion was only moderately below the two-and-a-half year high registered in August.

Total new orders also rose at a rate close to August's 19-year peak, as new export business increased at the quickest clip since February 2011. Companies reported improved inflows of new work from Asia, the USA, mainland Europe, Ireland, the Middle-East and Russia.

Growth of new orders, strengthening market conditions and stock-building led to a substantial expansion of production volumes in October. The rate of output growth nonetheless eased to a three-month low. Stocks of finished products, meanwhile, rose for the first time in over one-and-a-half years.

The increases in output and new orders remained broad-based in October, with growth of both registered in all nine of the narrow categories covered by the survey. The sharpest increases were generally seen in the Chemicals & Plastics, Basic Metal Products and 'Other' manufacturing sectors.

Manufacturing employment rose for the sixth consecutive month in October. Although the rate of jobs growth eased from September's 27-month peak, it was broadly in line with the average for the current sequence of increase.

October saw average selling prices rise for the fourth straight month, reflecting a combination of rising input costs and continued growth of new orders. Over one-in-ten companies reported an increase in factory gate prices during the latest survey period.

Purchase price inflation in October eased further from August's two-year high, but only to a pace in line with the long-run survey trend. Price rises were reported for dairy products, electronics, energy, food stuffs, paper, timber, wheat and wood.

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Comment:

Rob Dobson, Senior Economist at survey compilers Markit:

“The Manufacturing PMI remains close to August’s two-and-a-half year high, with growth of output and new orders both trending near to recent 19-year records.

“Despite only accounting for less than 11% of the economy, the current strength of growth seen in manufacturing means the sector will still provide a major boost to the economy in October, boding well for the strong pace of economic growth we saw in the second and third quarter being sustained into the fourth quarter. The survey suggests manufacturing output is growing at a quarterly rate of around 1%-1.5%.

“Maintaining this solid expansion will be important if we are to see any real signs of the economy rebalancing, as manufacturing remains 9% smaller than its pre-crisis peak, while services have already closed the gap. The latest increase in employment also suggests that the manufacturing sector is creating jobs at a solid pace, which should help bring unemployment down in coming months.

“A sharp uptick in inflows of new export business to a 32-month high was also one of the big stories from the latest figures, signalling that the UK is no longer being left behind in the chase to benefit from improving global markets. A strengthening domestic market, riding on the crest of a wave from recent positive economic news, also remains a prime driver of the recovery. This should help UK manufacturing remain one of the brighter growth spots in the world manufacturing economy, as highlighted by its position at the top of the global PMI rankings throughout the third quarter.”

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

“British manufacturers swept into Q4 with a steady wind behind them, bolstered by strengthening markets both at home and abroad, as well as output growth across the consumer, investment and intermediate industries. Production and sales volumes expanded further in October, which keeps hopes alive that there will be a solid end to the year.

“Thanks to improving overseas demand, new export business in October increased at its quickest rate since February 2011. This, combined with the consistent performance of the domestic market, meant that firms were able to uphold job creation levels and hopefully sustain this trend in the coming months.

“The long-running growth in new orders and the increasing demand for new stock by manufacturers is a big opportunity for suppliers, particularly in meeting the increased demand for raw materials and for lowering the burden on capacity constraints. In responding to this opportunity, suppliers can hope to end the year on a high and set up a strong start to 2014.”

The November 2013 Report on Manufacturing will be published on:

Monday 2nd December 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.

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.

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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