

## News Release

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:30 (UK), 2<sup>nd</sup> June 2014**

### Markit/CIPS UK Manufacturing PMI®

#### UK manufacturing upsurge continues

Data collected 12-27 May 2014

##### Key points:

- Manufacturing PMI at 57.0 in May, down slightly from 57.3 in April
- Strong growth of output, new orders and new export business maintained
- Broad-based jobs creation

##### Historical Overview:

Markit/CIPS Manufacturing PMI® (50 = no change)



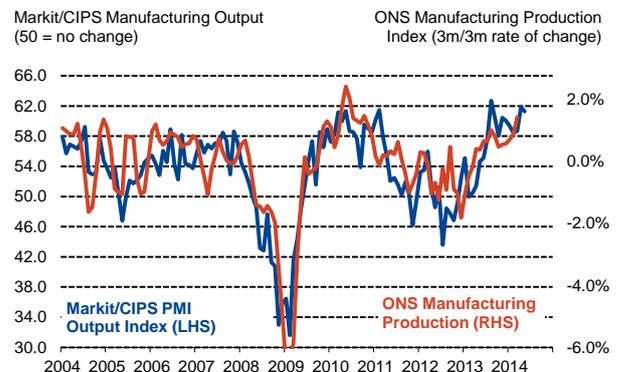
##### Summary:

May saw the UK manufacturing sector maintain one of its brightest spells of output and new order growth in the 22-year survey history. As manufacturers ramped up production to meet strong inflows of new work from both domestic and export markets, the benefits were also shared with the wider economy through solid job creation and rising levels of input purchasing.

At 57.0 in May, the headline seasonally adjusted Markit/CIPS *Purchasing Manager's Index*® (PMI®) posted close to April's five-month high of 57.3 and again registered one of its highest readings in the survey history. The PMI has now signalled an improvement in overall operating conditions in each month since March last year.

Manufacturing production increased for the fifteenth successive month in May, reflecting improved order books and stronger economic conditions. The recovery remained broad-based, with marked expansions of output and new orders registered across the consumer, intermediate and investment goods sectors.

Investment goods producers saw an especially marked acceleration in the rate of increase in new orders, representing a positive bounce following slower demand growth in March and April.

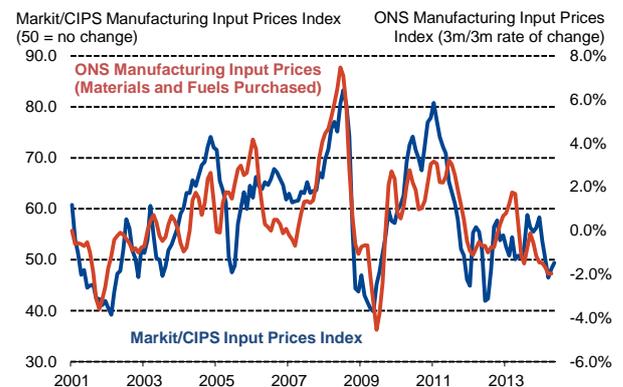


New export orders rose for the fourteenth consecutive month in May. Companies reported improved demand from the US, Asia, Canada, Europe, the Middle East and New Zealand. Where an increase was signalled, this was linked to new product launches and efforts to increase market share.

Manufacturing employment increased for the thirteenth month running. Jobs growth was broad-based across consumer, intermediate and investment goods producers and at SMEs and large companies. With both employment and output rising, manufacturers reduced the level of work-in-hand at their factories for the third month in a row.

Strong demand supported manufacturers' efforts to raise average selling prices during the latest survey period, with May seeing output charges increase for the eleventh month running. However, the rate of inflation eased for the third straight month to its weakest since August 2013.

Average purchasing costs fell for the fourth month running in May, reflecting lower prices paid for commodities, energy and dairy products. The exchange rate also led to decreased costs for some imported inputs.



#### Comment:

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

*"The revival of UK manufacturing continued in May, as the sector basked in one of its brightest growth spells of the past two decades. Manufacturing production is currently expanding at a quarterly rate close to 1.5%, according to the PMI, helping the sector take huge strides towards recouping the output lost during the recession. However, with manufacturing still some 7.5% smaller than its pre-crisis peak, even at this current growth rate it would take until late-2015 to achieve full recovery.*

*"Sustaining the rebound and continuing to push towards rebalancing the UK economy towards manufacturing therefore remains critical. On those scores the latest survey provides some real positives.*

*"The upturn remains broad-based by sector and is being enjoyed by SMEs and large-scale producers alike. A sharp re-acceleration in demand for goods such as plant and machinery also points to ongoing growth of business investment. A strong domestic market is meanwhile being supplemented by one of the best growth phases for new export orders in the survey history. The benefits of the manufacturing upswing are also being shared with the wider economy through solid job creation.*

*"As manufacturing only makes up a small share of the UK economy, around 10%, these positive data are unlikely to shift the Bank of England's MPC on to the path of normalising monetary policy on their own. The first piece of that puzzle nonetheless seems to be in place and, if accompanied by further surging growth elsewhere in the economy, the clearer picture unfolding could raise the stakes for an earlier than expected step in that direction."*

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

*"British manufacturers march onwards to mirror last month's strong performance. Growth of new business and export orders remained strong in May, and firms are ramping up production to meet this demand. As a result, and in line with robust economic conditions, it can be said, that we're starting to see real evidence of a sustained recovery for the sector.*

*The recovery remains broad-based with ongoing expansion in May from the consumer and intermediate sectors, alongside a positive resurgence in pace of expansion at investment goods producers after experiencing a slowdown in recent months. This strong upturn continues to also feed through to the labour market, with more jobs boosts across both SMEs and large companies.*

*Rising demand and a further drop in input prices is having a positive impact on the cost side, as factories have been able to ramp up their selling prices for the eleventh month running. At the same time however, the pressure to keep up the pace of production is filtering through to suppliers and is resulting in an ongoing lengthening of delivery times."*

**The June 2014 Report on Manufacturing will be published on:**

**Tuesday 1st July 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

Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ over 3,000 people in 11 countries. For more information, please see [www.markit.com](http://www.markit.com).

### 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](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 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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