

## News Release

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

### Markit/CIPS UK Manufacturing PMI®

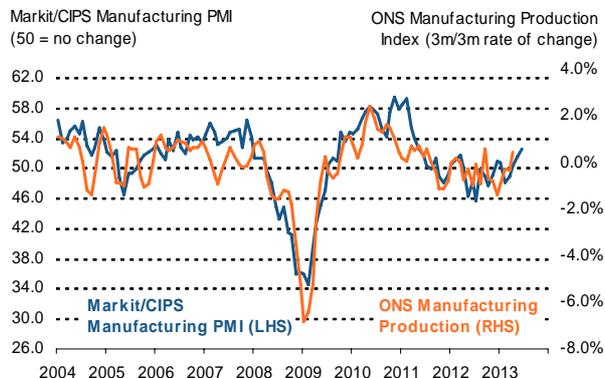
## UK Manufacturing PMI at 25-month high, as rising demand supports faster output growth

Data collected 12-25 June 2013

#### Key points:

- UK Manufacturing PMI at 52.5 in June
- Growth of output and new orders gain momentum
- Price pressures remain subdued

#### Historical Overview:



#### Summary:

The UK manufacturing sector maintained its solid second quarter performance into June, with levels of production and new business rising at the fastest rates since April 2011 and February 2011 respectively. Domestic market conditions improved further, while demand from overseas also strengthened.

At 52.5 in June, up from a revised reading of 51.5 in May, the seasonally adjusted Markit/CIPS *Purchasing Manager's Index®* (PMI®) posted above the neutral mark of 50.0 for the third month running. Moreover, the rate of improvement signalled by the PMI was the steepest for 25 months. The average

reading over the second quarter as a whole (51.4) was the highest since Q2 2011.

The latest expansion in UK manufacturing production was broad-based, with all of the sub-sectors covered by the survey signalling increases in June. The strongest rates of growth were recorded by the Textiles & Clothing and Food & Drink categories.

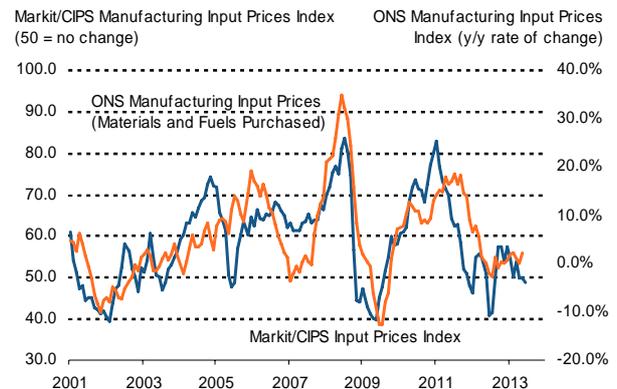
Incoming new orders rose for the fourth consecutive month in June. Manufacturers reported solid demand from domestic markets and clients based in Europe, China, North America, Scandinavia and the Middle East. A number of companies linked improved inflows of new work to strengthening confidence among clients and consumers, better weather conditions and the launch of new product lines. Nevertheless, manufacturing employment was broadly unchanged in June.

Price pressures remained subdued during the latest survey period. Input costs declined for the third straight month in June, reflecting lower costs for chemicals, feedstock, metals, packaging and plastics. There were reports of exchange rate factors reducing the sterling price of some imported inputs.

Average factory gate prices fell for the first time in three-and-a-half years in June, mainly due to strong competition. Lower selling prices were also linked to reduced input costs.

The upturn in the manufacturing sector led to increased levels of purchasing activity, as companies acted to reduce the pressure on input stocks and meet rising production needs. Although input inventories continued to decline, the rate of depletion was the weakest since August last year.

Finished goods stocks fell for the fifteenth successive month in June, as companies used their existing inventory to satisfy the dual requirements of new and existing contracts. Lower stocks may support further growth of production in coming months, as the ratio between new orders and finished goods inventory remained at one of its highest levels for almost two-and-a-half years.



### Comment:

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

*“The UK manufacturing sector made positive strides on the recovery path during the second quarter of the year. June saw output and new order growth hit rates not seen since early-2011, as a brightening domestic market and resilient overseas demand led to a broad-based expansion across the sector.*

*“The near-term outlook for output also remains on the upside, as above-trend sales growth depleted inventories that manufacturers will need to rebuild later in the year. Job creation is still weaker than hoped for, but this should improve if solid demand growth is sustained and eats into spare capacity.*

*“The survey suggests that manufacturing output rose by around 0.5% over the second quarter. Taken with recent signs of service sector strength and a stabilising construction industry it paints a picture of UK economic growth picking up from the opening quarter’s 0.3% to at least 0.5%. It therefore seems increasingly unlikely that the Bank of England’s policymakers will opt for further asset purchases at its meeting later this week.”*

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

*“Momentum is building in manufacturing as the sector begins to work up a head of steam. The industry experienced another good month to round off a solid Q2. The two-year high in new business growth will do much to reassure firms we are on track for a recovery. Both domestic and export orders played their part, with consumer goods showing particular signs of traction.*

*Employment is the one disappointing spot, showing little change from last month; a reminder of the anxiety that still exists in the sector. The swell in order books and increased levels of purchasing activity however, signal that the subdued labour market trend may be shortlived.*

*Firms will also take heart from the drop in input costs, which has enabled them to reduce their own prices for the first time in over three years. This has eased the pressure on margins and enabled manufacturers to stay competitive. Long may it continue.”*

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

**Thursday 1st August 2013 at 09:30**

-Ends-

## Contact Information:

**For economics comments, data and technical queries, please call:**

### Markit Press Office

Caroline Lumley, Director, Corporate Communications

Telephone: +44 20 7260 2047

Mobile: +44 781 5812162

Email: [caroline.lumley@markit.com](mailto:caroline.lumley@markit.com)

**For industry comments, please call:**

### CIPS

Trudy Salandiak

Tel: +44 1780 761576

Email: [trudy.salandiak@cips.org](mailto:trudy.salandiak@cips.org)

### Hill+Knowlton Strategies

Edward Jones

Tel: +44 (0)20 7413 3217

Email: [edward.jones@hkstrategies.com](mailto:edward.jones@hkstrategies.com)

## Notes to Editors:

Where appropriate, please refer to the survey as the Markit/CIPS UK Manufacturing PMI<sup>®</sup>.

The Markit/CIPS UK Manufacturing PMI<sup>®</sup> 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<sup>®</sup> 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*<sup>®</sup> (PMI<sup>®</sup>) 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 2,800 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*<sup>®</sup> (PMI<sup>®</sup>) 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 94,000 in 150 different 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)

The intellectual property rights to the UK Manufacturing PMI provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index<sup>®</sup> and PMI<sup>®</sup> are registered trade marks of Markit Economics Limited. Markit and the Markit logo are registered trade marks of Markit Group Limited.