

News Release

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

Markit/CIPS UK Manufacturing PMI[®]

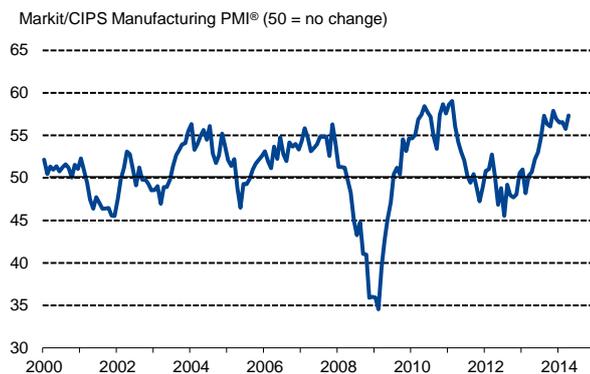
UK manufacturing output surges higher in April

Data collected 11-25 April 2014

Key points:

- Manufacturing PMI registers 57.3 in April (March: 55.8)
- Growth of output and new orders accelerate
- Input prices fall for second month running

Historical Overview:



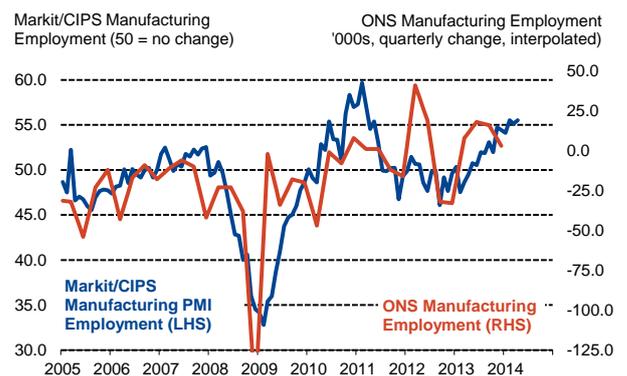
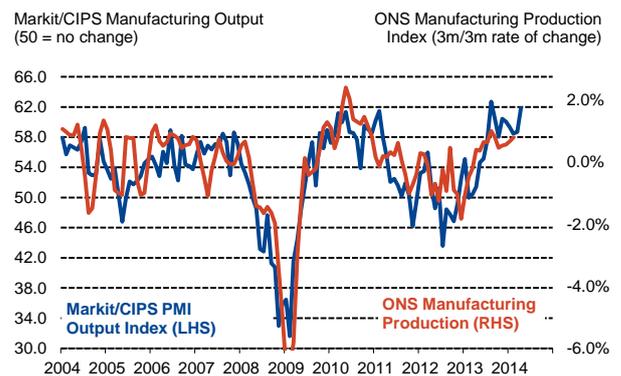
Summary:

April saw the UK manufacturing sector maintain its robust start to the year. At 57.3, the seasonally adjusted Markit/CIPS *Purchasing Manager's Index[®]* (PMI[®]) rose to a five-month high and registered one of its best readings over the past three years.

Manufacturing production continued its upward surge during April, with the rate of expansion remaining robust and hitting an eight-month high. Growth improved across the consumer, intermediate and investment goods sectors, as companies responded to rising new order inflows, new product launches and efforts to clear backlogs of work.

The rate of expansion in incoming new work remained elevated in April, accelerating to a three-month high. Growth of new orders was attributed to

improved demand from both domestic and export markets. The level of new business from overseas rose for the thirteenth successive month, reflecting stronger inflows of new work from North America, Europe, Asia and the Middle-East.



The ongoing upswing in the sector's performance resulted in further job creation at manufacturers during April. Employment rose for the twelfth consecutive month, with the rate of increase identical to February's near three-year peak. Hirings were initiated to expand capacity, meet higher production and accommodate rising demand. Part of the increase supported efforts to clear backlogs of work.

April saw average purchase prices fall for the second straight month, reflecting a combination of lower costs for some metals and successful negotiations with suppliers. However, the latest decline was only moderate and slower than that signalled in the prior month.

UK manufacturers maintained a degree of pricing power, as average output charges rose for the tenth successive month in April. Companies reported that selling prices were raised due to strong demand and efforts to improve operating margins. Output charges increased across the consumer, intermediate and investment goods sectors.

Purchasing activity rose for the twelfth straight month in April. Higher demand for raw materials – and the resulting shortages of certain inputs and strain on supplier capacity – also led to a further deterioration in average vendor performance. Subsequently, supplier delivery times lengthened for the eleventh consecutive month. Companies maintained a preference for reduced inventory holdings, as both stocks of purchases and finished goods fell further.

Comment:

Rob Dobson, Senior Economist at survey compilers Markit:

“UK manufacturing continued its surging start to 2014, with output growth accelerating in April to a level among the highest signalled over the past two decades. This places the sector perfectly to build on the robust 1.3% expansion in manufacturing production reported by the first estimate of Q1 GDP. The output index from the PMI survey suggests manufacturing output growth in the second quarter may even breach 1.5% on its current tack.

“Supporting these efforts are a strong domestic market and improving global economic conditions, while the ongoing solid upswing in employment is providing the capacity to meet the needs of demand looking ahead. The PMI survey suggests that manufacturers are creating jobs at a pace of around 10k per month at present. The one sour point in the latest data is a further sharp slowdown in growth of investment goods new orders, a blow to hopes of achieving a rebalancing away from consumer-driven economic expansion. The hope is that demand for investment goods will pick up as broader economic conditions continue to rebound.

“On the prices front, manufacturers were able to further repair and improve their operating margins as input costs fell and average factory gate selling prices rose. The backdrop nonetheless remains one of generally subdued inflationary pressures in the UK, meaning that the Bank of England’s MPC will likely maintain a wait-and-see track until later in the year.”

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

“Manufacturing continues to bask in the spring sunshine, with solid growth and mounting optimism for the months ahead. Building on the strong performance of Q1, success was consistent across the consumer, intermediate and investment goods sectors. Supporting the robust expansion and new order inflows, employment numbers were boosted even further this month; all of which are good signs of a sustainable upward surge in the UK economy more broadly.

“Combined with strengthening domestic demand, UK manufacturers have also been taking full advantage overseas. New export orders rose to a three month high in April, with demand strengthening across all parts of the global economy, to include North America, Europe, Asia and the Middle-East.

“Input prices dropped again this month, giving manufacturers the power to increase their selling prices and allowing them to repair margins or improve profits. When it comes to pressure on suppliers, rising demand of raw material and capacity issues means the average delivery times continue to lengthen.”

The May 2014 Report on Manufacturing will be published on:

Monday 2nd June 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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