

## News Release

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:30 (UK), 2<sup>nd</sup> March 2015**

## Markit/CIPS UK Manufacturing PMI®

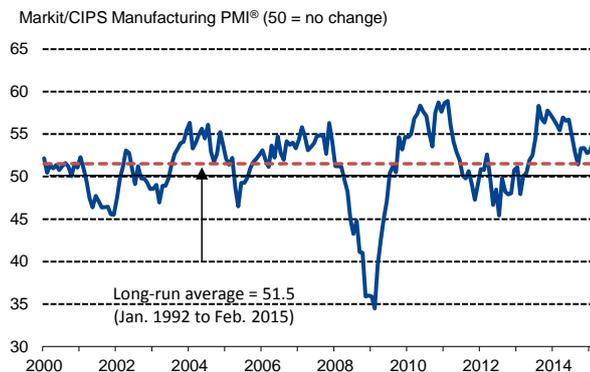
### Manufacturing PMI rises to 7-month high

Data collected 12-24 February 2015

#### Key points:

- Growth rates in output and new orders both strengthen
- Domestic market remains solid, but export orders decrease
- Input costs and output prices fall further

#### Historical Overview:

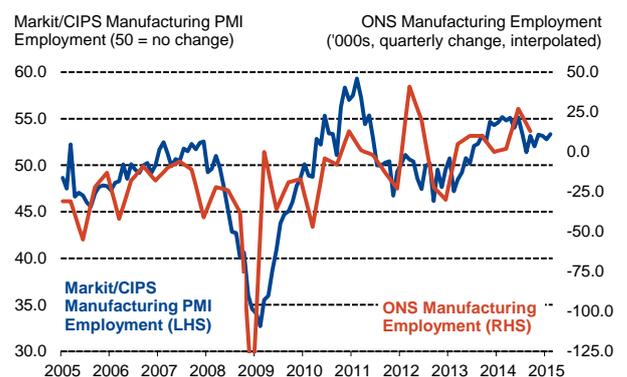
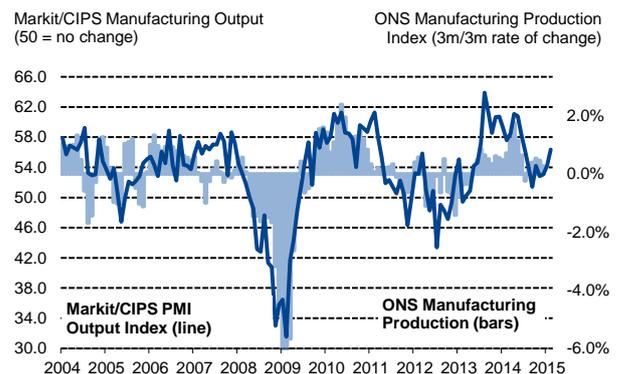


#### Summary:

The growth rate of the UK manufacturing sector continued to strengthen at the start of 2015, leading to further job creation. Companies benefited from solid inflows of new business from the domestic market, which offset lower new export order volumes. Price pressures remained on the downside, however, with both average input costs and selling prices falling during the latest survey month.

The seasonally adjusted Markit/CIPS **Purchasing Manager's Index® (PMI®)** rose to a seven-month high of 54.1 in February, up from 53.1 in January. By posting above 50.0, the PMI extended its run above the critical mark that separates expansion from contraction to two years.

February saw the rate of expansion in manufacturing production accelerate for the third month running to its highest since June 2014. Growth was led by the consumer goods industry, although solid expansions in output were also registered at intermediate and investment goods producers.

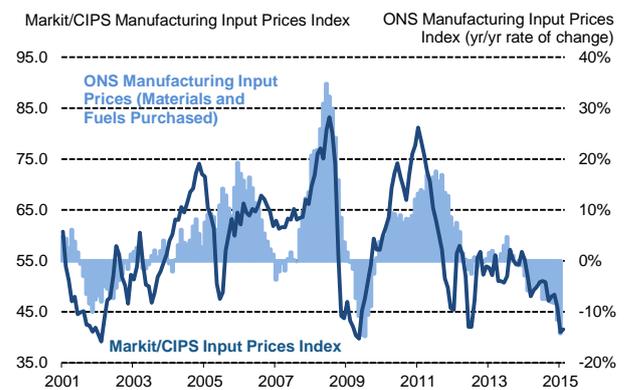


Manufacturers reported a further improvement in new order inflows during February, underpinned by rising volumes of new business from domestic based clients. In contrast, export performance deteriorated for the fourth time in the past five months, reflecting subdued conditions in key markets and the sterling exchange rate.

February data signalled an increase in UK manufacturing employment for the twenty-second successive month. Moreover, the rate of jobs growth accelerated to a three-month high and was broadly in line with the average for the current sequence of expansion. Companies reported that the ongoing upturn in the sector had encouraged further job creation, with workforce numbers rising at SMEs and large-sized firms alike.

The sharp decrease in oil prices earlier in the year continued to filter through to manufacturers' input costs during February. Average purchase prices fell at a substantial pace that was only slightly less marked than January's 68-month record. There was mention of lower costs for chemicals, energy, food raw materials, oil, oil by-products, plastics and timber. The sterling exchange rate was also reported to have reduced the cost of a number of imported goods.

Average output charges were reduced again in February, the second successive survey period where a decrease has been signalled. As well as lower input prices, the reduction in output charges reflected rising competitive pressures.



#### Comment:

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

*"The UK manufacturing sector is reviving in early 2015 after the slowdown seen late last year, as growth rates of both production and new orders continued to strengthen in February. Output is now rising at a quarterly pace close to 0.5% and job creation is running at a rate of five thousand new positions filled per month. This reinforces the picture of a broader growth revival in the UK so far in the opening quarter.*

*"Scratching beneath the surface and we see a lop-sided upturn, with the prime driver being a strong upsurge in new orders and production at consumer goods producers while a near-stalling of demand for plant and machinery points to ongoing weak business investment. Separately, the appreciation of sterling is holding back the progress of UK exporters. It seems that, despite years of talk about a rebalancing of growth, we are still seeing only limited headway in moving away from consumer-driven expansions and towards a greater contribution from exports.*

*"On the inflation front, price pressures remained on the downside in February. The slump in oil prices earlier in 2015 is still filtering through on the cost side, meaning manufacturers' input prices are falling at a double-digit annual pace. Although a welcome respite for margins, lower costs are being partly passed on in the form of reduced selling prices, adding to the short-term deflationary pressures in the economy. Waning inflation*

*therefore looks set to continue to provide leeway for the Bank of England to push back that first rate increase until next year."*

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

*"The rising levels of job creation, now in their twenty-second month, demonstrate that the sector is in buoyant mood this month. This is good news for the UK economy as higher staffing levels mean more opportunity for economic expansion. The consumer goods sector was the star of the show, where there were significant increases in activity and stocks of raw materials continued to rise.*

*"With faster growth in new orders than at the beginning of the year, this increased momentum is once again attributed to the domestic market, as export orders lag behind. Though there was some growth in the Eurozone and elsewhere, this did not translate strongly enough to support increased new export orders.*

*"The performance of vendors deteriorated marginally as purchasing activity increased. Backlogs were reduced in response to this new landscape of recovery, and with higher levels reported on finished goods, the sector looks set to continue along a positive trajectory in the months ahead."*

#### **The March 2015 Report on Manufacturing will be published on:**

**Wednesday 1<sup>st</sup> April 2015 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 10 countries. Markit shares are listed on NASDAQ under the symbol "MRKT". 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 Procurement & 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 106,000 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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