News Release

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

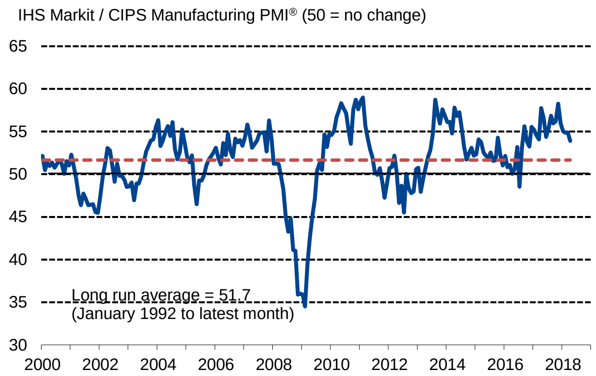
UK manufacturing growth slows at start of second quarter

Key findings:

- UK Manufacturing PMI at 17-month low of 53.9 in April
- Slower growth of output, new orders and employment
- Inflationary pressures ease

Data collected April 12-25

IHS Markit/CIPS UK Manufacturing PMI



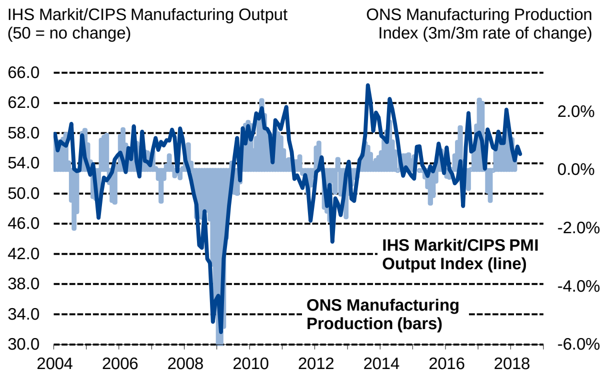
Source: IHS Markit

Summary:

The upturn in the UK manufacturing sector slowed further at the start of the second quarter. Rates of expansion eased for output, new orders and employment, in part reflecting a weakening in the pace of expansion of new work from abroad. On the price front, input cost and output charge inflation moderated and, although still elevated, are below the highs seen at the turn of the year.

The seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index® (PMI®) fell to a 17-month low of 53.9 in April, down from 54.9 in March. The PMI has signalled expansion in each of the past 21 months.

Manufacturing production rose for the twenty-first month in a row. Companies reported that output was scaled up in response to higher intakes of new business, stronger client confidence, improved weather, new product launches and increased capacity. Output rose at consumer, intermediate and investment goods producers.



Sources: IHS Markit, UK Office for National Statistics

The latest survey provided further evidence of a slowdown in the rate of manufacturing expansion. Growth of output and new orders eased, while business optimism dipped to a five-month low. Falling backlogs of work, supply-chain constraints and rising stocks of finished goods also signalled that output growth will remain subdued in the coming months.

April also saw growth of new export business slow to a ten-month low. Rates of increase eased in the intermediate and investment goods sectors, but strengthened at consumer goods producers. Where improved demand from overseas was reported, companies linked this to higher order intakes from Europe, the USA and Asia.

Manufacturing employment increased in April. The rate of job creation eased to the weakest in 14 months. Staffing levels were raised in the intermediate and investment goods sectors. The consumer goods industry saw its first job cuts since February 2017, with the rate of reduction the steepest in almost six-and-a-half years.

The rate of input price inflation faced by UK manufacturers remained elevated in April, despite easing to a nine-month low. Higher purchasing costs were attributed to increased commodity and raw material prices, in some cases exacerbated by demand exceeding supply. Shortages of certain inputs also led to further substantial lengthening of vendor lead times.

Part of the increase in costs was passed on to clients in the form of higher selling prices in April. However, the rate of output charge inflation eased for the third straight month to the slowest since August 2017.

Comments

Rob Dobson, Director at IHS Markit, which compiles the survey:

"The start of the second quarter saw the UK manufacturing sector lose further steam. The headline PMI dipped to a 17-month low as growth of production, new business and employment all slowed.

"While adverse weather was partly to blame in February and March, there are no excuses for April's disappointing performance, making the chances of a near term hike in interest rates by the Bank of England look increasingly remote.

"On this footing, the sector is unlikely to see any improvement on the near-stagnant performance signalled by the opening quarter's GDP numbers.

"Looking ahead, the trend in manufacturing production is likely to remain subdued. Weak demand meant firms are seeing backlogs of work fall and stocks of unsold goods rise, limiting the need for output to rise in May. Business optimism has also dipped to a five-month low as concerns about Brexit, trade barriers and the overall economic climate remained widespread."

Duncan Brock, Group Director at the Chartered Institute of Procurement & Supply:

"Any hopes for an improvement to last month's steady if unremarkable pace were dashed in April as new order growth was the slowest for ten months and the consumer goods sector was particularly hit reporting the first job losses since February 2017 and the fastest drop in hiring for six and a half years.

"It was left to stronger levels of export orders from Europe and the US to provide some succour to manufacturers as concerns over potential rate rises resulted in less client spending overall. This meant manufacturers were adrift with the highest growth of stock levels for ten months on the one hand but struggling to get key raw materials on the other. Higher demand and competition from other firms meant shortages returned to beset companies trying to cope with challenging delivery times as suppliers failed to complete.

"It appears the disappointing start to the year is set to continue in the second quarter. With weaker than anticipated economic conditions and the pound falling again, next month decision makers will no doubt be hesitating over whether this really is the best time to raise interest rates again."

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Note to Editors:

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

The IHS 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 by Standard Industrial Classification (SIC) group and company workforce size, based on the industry and company size contributions 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 IHS 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. IHS 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 IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

About PMI

Purchasing Managers' Index® (*PMI®*) surveys are now available for over 40 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 https://ihsmarkit.com/products/pmi.html.

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 procurement and supply management issues. CIPS has a global community of 200,000 in over 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