

News Release

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

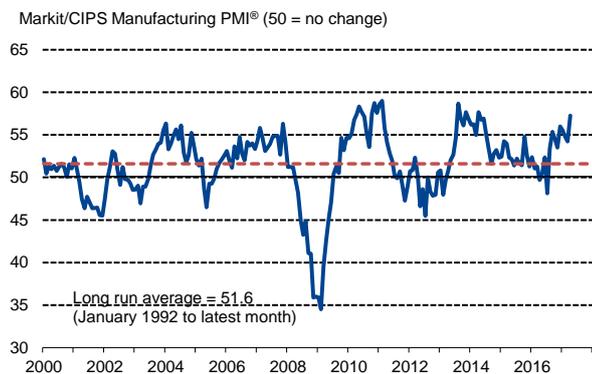
Manufacturing PMI rises to three-year high signalling solid start to second quarter

Key findings:

- UK Manufacturing PMI at 57.3 in April
- Output and new orders expand at faster rates
- Stocks of purchases rise at survey record pace

Data collected April 11-25

Markit/CIPS UK Manufacturing PMI



Source: IHS Markit

Summary:

The start of the second quarter saw a solid improvement in the performance of the UK manufacturing sector. Rates of expansion in output, total new orders and new export work all gathered pace, underpinned by robust business confidence and driving further job creation.

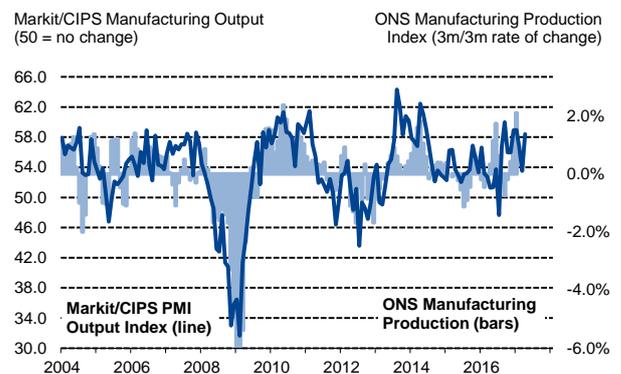
The seasonally adjusted Markit/CIPS Purchasing Managers' Index® (PMI®) rose to a three-year high of 57.3 in April, up from March's four-month low of 54.2. Survey data were collected 11-25 April.

The PMI has signalled expansion for nine months in a row. The last time the PMI registered below its

no-change mark was July 2016, the month following the EU referendum result.

The April PMI reflected positive influences from all five of its sub-components. Alongside the growth of output, new orders and employment, stocks of purchases also rose at a survey record rate and suppliers' delivery times lengthened.

Manufacturing production expanded at the fastest pace in three months. The strongest growth was seen in the investment goods sector, followed by the intermediate goods category.



Sources: IHS Markit, UK Office for National Statistics

UK manufacturing output was driven higher by the strongest inflows of new work since January 2014, with the domestic market remaining the principal source of new contract wins.

There were also reports of a solid increase in new export business, reflecting a combination of stronger global market conditions and the historically weak sterling exchange rate. Both

contributed to higher demand from clients in North America, Europe, Africa and Brazil.

The exchange rate also continued to have an impact on cost pressures. The rate of purchase price inflation remained elevated and above the long-run survey average, despite easing to a nine-month low. It is worth also noting that the pace of increase was down sharply from January's record high. Manufacturers continued to pass on higher costs to clients, leading to a further increase in average output charges.

Companies mentioned paying higher prices for a wide range of materials, including chemicals, metals and plastics. Part of the increase in purchasing costs reflected supply-chain pressures, as highlighted a marked lengthening in average

Comments

Rob Dobson, Senior Economist at IHS Markit, which compiles the survey:

“The UK manufacturing sector made a solid start to the second quarter. Growth of output, new orders and employment all gathered pace, driven higher by the continued strength of the domestic market.

“There was also a solid bounce in new export business, as the weak sterling exchange rate helped manufacturers take full advantage of the recent signs of revival in the global economy, and especially the eurozone, which is enjoying its best growth spell for six years. Although price pressures remain elevated, input cost inflation has eased significantly since hitting a record high in January.

“Although only accounting for 10% of the economy, the upturn in the manufacturing sector represents some welcome good news after the sharp slowing in GDP seen in the first quarter. The big question is whether this growth spurt can be maintained, especially given the backdrop of ongoing market volatility and a number of political headwinds such as elections at home and abroad. Other surges seen since the middle of last year have generally proved short-lived, as weak wage growth sapped consumer spending. If this happens again it will inevitably constrain manufacturing, even as the investment and intermediate goods producing sectors continue to expand.”

vendor lead times. Manufacturers reported that some vendors were struggling to meet rising demand for raw materials, especially as shortages developed for a number of items.

April also saw increased reports of companies purchasing and holding inputs in order to guard against future price increases. This was reflected in the trend in stocks of purchases, which rose at the fastest pace on record since the survey began in January 1992.

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

“The UK manufacturing PMI sprung back to a three year high in April after a brief blip in March. Spring has ushered in green shoots of growth with April marking the ninth consecutive increase in manufacturing employment. The calling of a snap election has failed to dampen the spirits of industry with output growing at the fastest rate in three months.

“While the major political parties debate how best to leave Europe, British manufacturers have continued to increase their exports to the continent. A weaker pound has kept British products competitive on the world stage and encouraged the twelfth successive rise in manufacturing exports.

“The British manufacturing industry is moving at such a pace that suppliers are struggling to keep up with demand. Delivery times for raw materials have increased for the twelfth successive month and there are signs of shortages for both metals and plastics. With input costs rocketing upwards, some manufacturers are beginning to stockpile raw materials to protect against future price rises. So long as sterling's buying power remains weak, however, consumers should prepare themselves for higher prices.”

– End –

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Note 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 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 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.

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About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 30 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/product/pmi.

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