

## News Release

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:30 (UK), September 1st 2015**

### Markit/CIPS UK Manufacturing PMI®

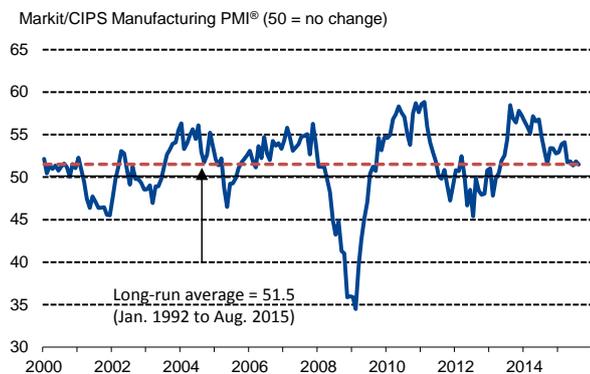
## Manufacturing expansion remains subdued despite strong performing consumer goods sector

Data collected 12-25 August 2015

#### Key points:

- UK Manufacturing PMI at 51.5 in August
- Consumer goods sector remains strongest performer
- Input prices fall at steep pace

#### Historical Overview:



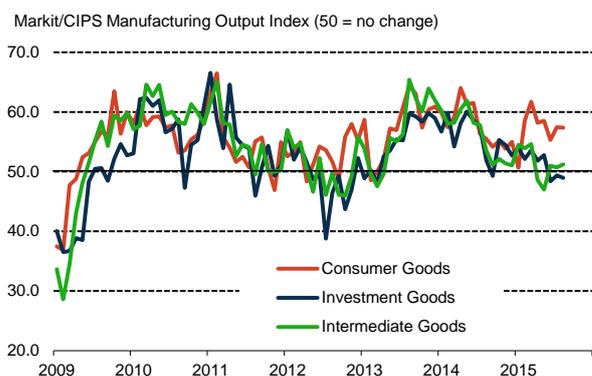
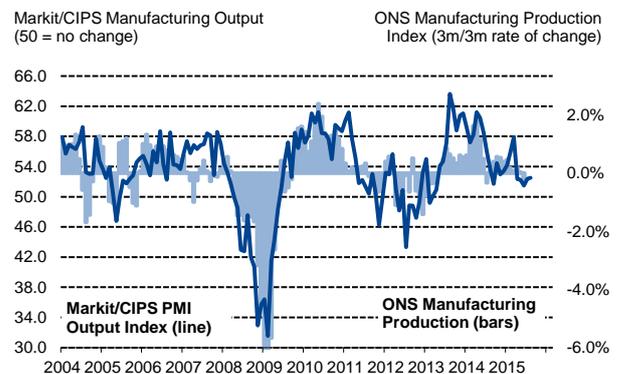
#### Summary:

The performance of the UK manufacturing remained sluggish in August, as the continued strength of the consumer goods sector was again offset by lacklustre output growth at intermediate goods producers and the ongoing downturn in the capital goods industry.

The headline seasonally adjusted Markit/CIPS Purchasing Manager's Index® (PMI®) dipped slightly to 51.5 in August, from 51.9 in July and well below the average for the current near two-and-a-half year sequence of expansion (54.2).

August saw a modest increase in manufacturing production, as companies scaled up output in response to rising levels of new business. Rates of

expansion accelerated to five-month highs, but remained below averages for the current upturn.



The domestic market remained the main pillar of new order growth, as the level of new export business decreased for the fifth straight month. Companies linked reduced overseas demand to the sterling exchange rate, weak sales performance to the eurozone and the slowdown in China.

On the costs front, there was a substantial drop in purchase prices during August. Average costs declined at one of the steepest rates during the past 16 years, with marked reductions reported

across the consumer, intermediate and investment goods sectors. This reflected a combination of lower oil prices, the sterling exchange rate and reductions in the costs of a wide range of raw materials.

Although average selling prices continued to rise in August, the rate of inflation was near-stagnant and below July's 11-month high. The vast majority of companies (over 90%) reported no change in their average output charges during the latest survey.

The trend in employment turned mildly negative during August, with a negligible reduction in staff headcounts reported following a 25-month sequence of job creation. Cuts were mainly centred

**Comment:**

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

*"The UK manufacturing sector remains in a holding pattern, with production growth hovering around the stagnation mark and marginal job losses reported for the first time in 26 months. On this basis, the sector looks unlikely to make much of a contribution to the solid gain in broader GDP growth expected for the third quarter. On the price front, input costs fell at one of the sharpest rates during the past 16 years and selling prices were broadly unchanged.*

*"Some of the underlying dynamics of the manufacturing survey did improve in August, such as the indices for output and new orders ticking higher, but the sector remains highly dependent on the domestic market, especially the consumer, to eke out any growth.*

*"Export order volumes continue to disappoint, with the sterling exchange rate, weak sales growth to the eurozone and the slowdown in China all having an impact. Given that China makes up only a small proportion of UK exports, the direct impact of a slowing in that nation is likely to be minimal. However, it is too early to say what the indirect impact may be if there is any knock on effect for broader global economic growth."*

on large-sized manufacturers, as SMEs continued to add (on average) to their payroll numbers.

Average vendor lead times lengthened for the twenty-seventh successive month in August, albeit to the least marked extent during that sequence. Where a deterioration in vendor performance was reported, this was attributed to capacity issues at suppliers and ongoing disruptions at the Channel crossing.

Manufacturers reported a preference for reduced inventory holdings in August, as stocks of purchases and finished goods were both depleted. The former was the result of lower levels of purchasing activity.

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

*"The sector was on a go slow trajectory this month, showing a disappointingly slow pace of growth, and barely moving from last month's figure, raising fears this could be an entrenched situation developing in the next few months.*

*"Though there was still a modicum of production activity as output growth rose to a five-month high in response to new orders and in a marketplace mostly reliant on the domestic market as exports fell for the fifth month. Some respondents reported losing work to competitors in a lacklustre environment.*

*"The employment picture also lacked colour with a slight fall in employment. Corporates reduced staff numbers marginally, which was at odds with SMEs who continued to raise staffing levels in anticipation of a continued healthy growth in business.*

*"The biggest news is the drop in the input price index which signalled one of the sharpest rates of decline for 16 years which was attributed to the continued drop in oil prices and for an increased number of raw materials.*

*"Lastly, with turmoil in the Chinese markets and disruptions to supply chains as a result of chemical explosions in the region, the resonating effects globally may ripple through the sector in the coming months, even though China has little direct impact on the UK marketplace."*

**The September 2015 Report on Manufacturing will be published on:  
Thursday October 1st 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 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.

#### About Markit

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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/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 110,000 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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