

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 09:30 (UK), 2nd January 2015

Markit/CIPS UK Manufacturing PMI[®]

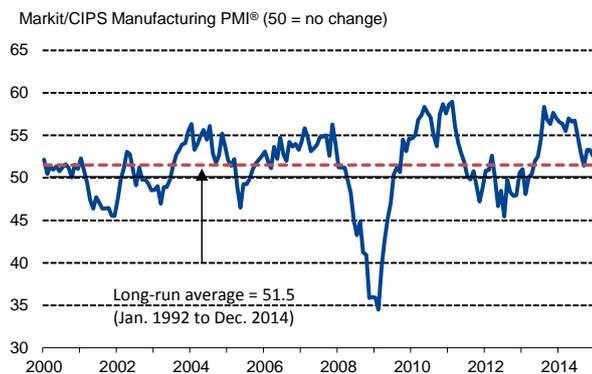
UK manufacturing growth slows at year-end

Data collected 4-18 December 2014

Key points:

- Manufacturing PMI at three-month low of 52.5 in December
- Growth of production and new orders weakened
- Export performance remains stagnant

Historical Overview:



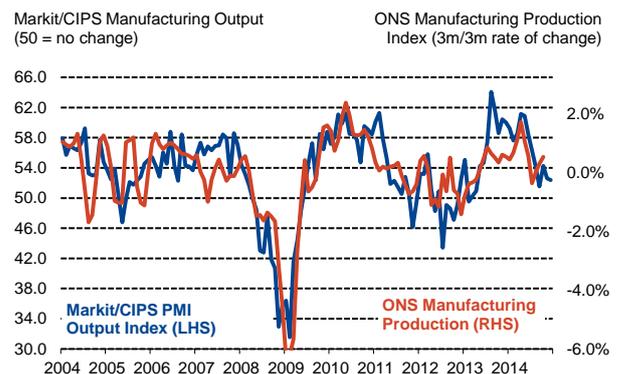
Summary:

The UK manufacturing sector ended 2014 on a softer footing, as December saw rates of expansion in production and new orders ease to the second-slowest for over one-and-a-half years. Price pressures also remained subdued, as input costs fell at a faster pace and selling prices moved only slightly higher.

The seasonally adjusted Markit/CIPS Purchasing Manager's Index[®] (PMI[®]) edged lower to 52.5 in December, down from 53.3 in both October and November. The average PMI reading over the final quarter as a whole (53.0) was only slightly below that in the prior quarter (53.1), but nonetheless the weakest growth outcome in a year-and-a-half.

Despite slowing in December, the unbroken sequences of expansion in manufacturing

production and new orders both extended to 22 months. The upturns also remained broad-based by sector, with concurrent growth in output and new business registered across the consumer, intermediate and investment goods industries.

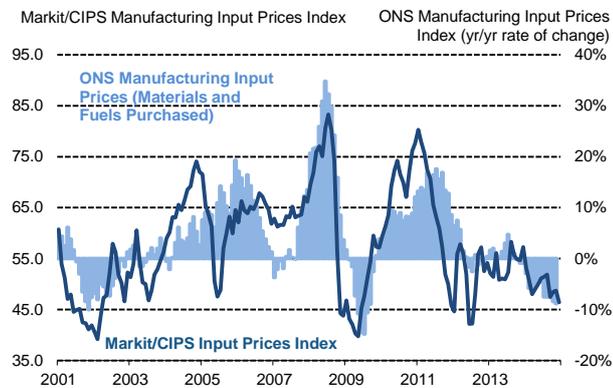


Companies reported that product promotion, new customer wins and improved client confidence all contributed to the latest increase in total new orders. However, the domestic market remained the prime source of new contracts, as the trend in new export orders stayed lacklustre in comparison.

The level of new work received from overseas clients was unchanged over the month in December, following back-to-back declines in October and November. There were reports of improved demand from North America and the Middle East. The picture from the euro area was more mixed, however, with some UK manufacturers signalling an increase in new work received and others a decline.

December data suggested that price pressures remained subdued at the end of the year. Average output charges rose only slightly over the month and have shown little movement over the final quarter as a whole. Average input prices decreased for the fourth month running and at the fastest pace

in almost two-and-a-half years. There were reports of lower costs for chemicals, energy, metals, oil and plastics.



Comment:

Rob Dobson, Senior Economist at survey compilers Markit:

“The latest survey provides further evidence of the ongoing slowdown in the UK manufacturing sector, with output and new order growth easing to their second-weakest rates during the past year-and-a-half. Despite this end of year tapering, the sector still performed well over 2014 as a whole, with growth averaging at its highest since 2010.

“The positives to come out of the December readings are the continued growth, further solid increases to workforce numbers, a supportive domestic market that is driving new contract wins and the broad-base of the upturn across the consumer, intermediate and investment goods industries. The main weak spot remains exports, with overseas new order inflows stagnating amid weaker economic growth in key markets and the ongoing lethargy of the euro area.

“The price indices suggest that inflationary pressures remained contained, as input costs fell sharply and selling prices edged only modestly higher in December. Waning inflationary pressures in industry will therefore continue to provide some leeway for the Bank of England to hold off from raising rates if slower global growth persists.”

UK manufacturing employment rose for the twentieth month in a row during December, with the rate of jobs growth little-changed from November’s four-month high. Companies reported that the upturn in the sector and efforts to clear outstanding business had contributed to the latest expansion in workforce numbers. Subsequently, backlogs of work fell for the tenth straight month.

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

“The year ends on a customary, if softer note, as growth remains solid for the remainder of what’s been a good year for manufacturing.

“The domestic market continues to be the main driver this month, and though the North American and Middle East markets have picked up slightly, this activity was not enough to make a significant contribution.

“The drop in backlogs of work, now in its tenth month, supported by rising employment rates showed a continued level of self-belief sustained from last month. Procurement and supply management professionals again commented on the reduction of commodity costs. This combination, with a slight increase in output prices has resulted in a reduction in the levels of squeezed margins experienced in recent years. The drop in oil prices has offered additional benefits as associated commodities showed a similar reduction in price.

“Though vendor performance deteriorated a little and there were some minor shortages, the impact of this has not been significant enough to rattle confidence in the sector.

“In summary the picture is one of constancy and a good basis for operation for the sector in 2015 if the levels of risk and opportunity remain the same and the global economic landscape offers similar prospects.”

**The January 2015 Report on Manufacturing will be published on:
Monday 2nd February 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

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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 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

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