

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 09:30 (UK), 2nd December 2013

Markit/CIPS UK Manufacturing PMI®

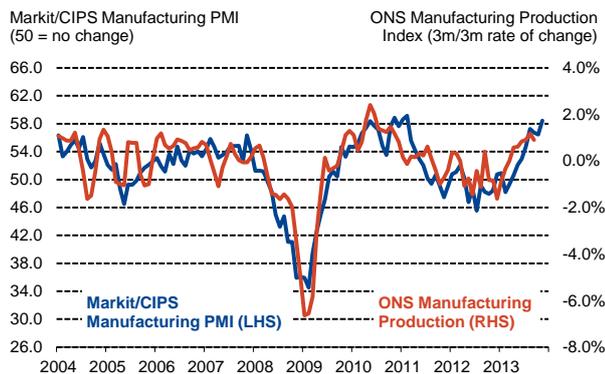
Manufacturing job creation hits two-and-a-half year high

Data collected 12-26 November 2013

Key points:

- Manufacturing PMI at 58.4 in November
- Fastest job creation since May 2011
- Production and new order growth at, or near, 19-year highs

Historical Overview:



Summary:

November saw the already solid upturn in the UK manufacturing sector gain further momentum. At 58.4, from an upwardly revised reading of 56.5 in October, the seasonally adjusted Markit/CIPS Purchasing Manager's Index® (PMI®) rose to its highest level since February 2011. Moreover, the PMI has signalled expansion for eight months running.

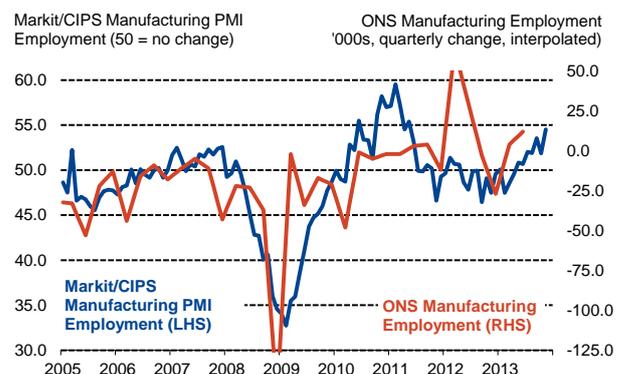
The improved performance of the sector largely reflected substantial increases in both manufacturing production and new orders, with rates of growth in both at, or near to, 19-year highs. The upturn also remained broad-based, with all of the sub-sectors covered by the survey reporting increases in output and new business. The domestic market remained the prime pillar of new order growth.

Companies also benefited from rising levels of new export orders in November. Although the rate of growth in overseas demand was less marked than October's 32-month high, it was still among the steepest registered post the global financial crisis. There were reports of improved inflows of new work from Asia, the USA, Germany, France, Ireland, Belgium and the Middle East.

The outlook for the manufacturing sector remained positive during November. Companies reported further stock depletion, with the rate of reduction in post-production inventories one of the sharpest during the past three-and-a-half years. This took the new orders-to-finished goods inventory ratio to a survey-record high, suggesting that production growth will be maintained in the coming months.

The ongoing recovery at manufacturers encouraged further job creation in November. Employment rose for the seventh consecutive month, with the rate of increase accelerating to a two-and-a-half year record. The latest jobs growth was broad-based, with payroll numbers rising in all of the sub-sectors covered by the survey and across small, medium and large sized enterprises.

Manufacturing Employment



November saw average input costs increase for the fifth month in a row, as manufacturers were hit with higher raw material and utilities prices. Moreover, the rate of inflation accelerated to a three-month peak.

Companies reported some success in passing on higher input costs to clients. Average output prices also rose for the fifth month running and at the steepest pace in over two years.

Comment:

Rob Dobson, Senior Economist at survey compilers Markit:

“UK manufacturing continued to hit the high notes in November. The Manufacturing PMI struck a fresh two-and-a-half year peak as production and new orders rose at, or close to, 19-year record rates. The sector is on course to beat the 0.9% increase in output seen in the third quarter, with the quarterly pace of growth so far in the final quarter tracking comfortably above the 1.0% mark.

“It also looks as if the strong recovery in the sector is translating into meaningful job creation. Manufacturing employment rose at the fastest pace since May 2011, signalling that companies are currently creating around five thousand jobs per month.

“Sustaining the recovery remains the key and the news here is also positive. The manufacturing expansion remains broad-based by sector, demand from the domestic market continues to surge higher and new export orders are rising at a clip close to October’s 32-month high. The intermediate goods sector was the stand-out performer overall as many firms refilled depleted warehouse shelves, but marked growth at consumer and investment goods producers also suggests that household and capital spending will both be positive spurs for broader economic growth. Manufacturing and the wider economy are therefore both on course to build on the third quarter’s solid foundation.”

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

“Manufacturing recorded an all-round glowing performance in November, as continued growth in production and new orders saw rates at, or close to, 19 year highs. Success was consistent across all three sectors of the market and resulted in the biggest jump in employment levels in two and a half years. Improved confidence and positive macro-economic conditions, both in the UK and abroad, complete a positive outlook as we close the year.

“The sector’s solid growth was primarily underpinned by a strong domestic market, boosting new business in the UK and giving manufacturers the confidence to look ahead to the future. This was coupled with new export orders from key overseas markets accelerating at one of the fastest rates since the financial crisis.

The industry’s ongoing recovery has given rise to a substantial expansion in purchasing activity but similar to previous months, the sector is still experiencing some shortages, particularly in raw materials, implying that supply chains still have some catching up to do with the market. With good signs that growth will be maintained, suppliers go into the New Year with more opportunities than the challenges of previous years.”

The December 2013 Report on Manufacturing will be published on:

Thursday 2nd January 2014 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 PMIs

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 Purchasing & 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 100,000 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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