News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 0930 (London) / 0830 (UTC) July 3rd 2017

IHS Markit/CIPS UK Manufacturing PMI®

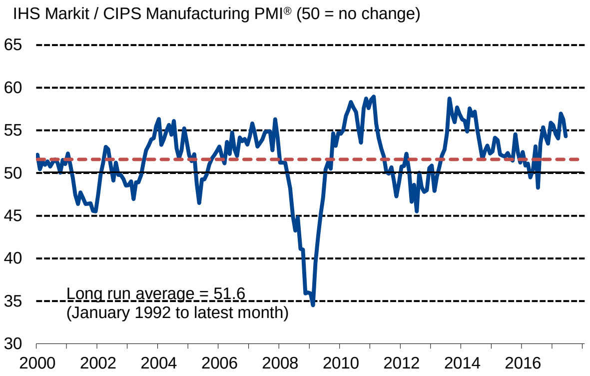
UK manufacturing growth slows at end of second quarter

Key findings:

- UK Manufacturing PMI at three-month low of 54.3 in June
- Growth rates of output and new orders slow
- Price inflationary pressures ease

Data collected June 12-27

IHS Markit/CIPS UK Manufacturing PMI



Source: IHS Markit

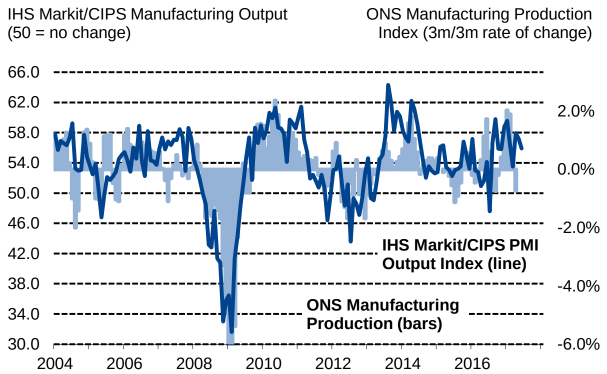
Summary:

The end of the second quarter saw manufacturers report further expansions of both production and new order volumes. However, rates of increase decelerated, as growth of new business slowed in both the domestic and export markets. Price pressures continued to ease, with rates of inflation in input costs and output charges down further from highs reached at the start of the year.

At 54.3 in June, down from 56.3 in May, the seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index® (PMI®) posted its lowest reading in three months. However, the average PMI level over the second quarter as a whole (55.9) was the best registered for three years.

Manufacturing production increased for the eleventh successive month in June. Companies attributed the latest expansion to higher intakes of new business. Some firms also noted that slower growth of new orders meant output was raised to a lesser extent than in recent months.

The latest survey pointed to a broad-based slowdown, with output and new orders rising at milder rates across the consumer, intermediate and investment goods sectors.



Sources: IHS Markit, UK Office for National Statistics

The improvement in new work volumes was the weakest in the current 11-month sequence of gains. Alongside reports of a deceleration in the rate of expansion of new orders from the domestic market, manufacturers also noted that new export business rose at a weaker pace.

Where an increase in foreign demand was registered, this reflected improved inflows from North America, Western Europe, East Asia and the Middle East. There was also mention of the weak sterling exchange rate continuing to boost export competitiveness. Growth of new export work nonetheless eased to a five-month low.

Manufacturing employment rose for the eleventh month running in June. Jobs growth was registered at small, medium and large-sized enterprises, although rates of expansion slowed in all three categories. This was partly due to the weaker increase in new business, which lessened the pressure on operating capacity. Backlogs of work also fell for the first time in three months.

Rates of increase in input costs and output charges decelerated further from the highs seen at the start of the year. Supply-chain pressures remained evident, however. Average vendor performance deteriorated to the same extent as in May (which saw the sharpest lengthening of lead times in six years).

Manufacturers maintained an optimistic outlook in June. Almost 48% forecast output would be higher in a year's time, compared to only 7% anticipating a decline. Confidence was linked to planned investment spending, new product launches and expected growth of new business. However, the overall degree of positive sentiment slipped to a seven-month low, amid reports of uncertainty regarding the uncertain political outlook (including ongoing Brexit negotiations).

Comments

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

"The UK manufacturing sector largely weathered the uncertainty of a general election and start of formal Brexit negotiations to eke out further output growth at the end of the second quarter. However, the rate of expansion eased again in June, with growth weakening across the consumer, intermediate and investment goods industries.

"Although the sector should still improve on its lacklustre opening quarter performance, this will be to a lesser extent than hoped for after solid growth in April and May. The main factor driving the broad slowdown in June was a steep easing in the rate of increase in new order intakes.

"New business rose at the weakest pace for nearly a year and growth was down sharply from April's near three-year high. This slowdown was largely centred on the domestic market, where increased business uncertainty appears to have led to some delays in placing new contracts.

"Export orders remained disappointingly lacklustre despite the ongoing competitiveness boost of the weak sterling exchange rate.

"While the survey data add to signs that the economy is likely to have shown stronger growth in the second quarter, further doubts are raised as to whether this performance can be sustained into the second half of the year."

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

"Manufacturing activity showed signs of slowing this month, as fears that the sector would feel the impact of both the election and the start of Brexit talks materialised.

"While the sector remained in growth, a softening of new orders suggested some hesitancy from the UK to commit to new projects, which will be a worry as the domestic market has been the main driver of growth in the past two months. Apart from some orders from the US and Western Europe, exports fared little better as a continuing weak, but stable pound began to lose some of its allure.

"Though the burden of higher cost pressures eased, purchasing activity was held back by the halting performance of supply chains as a shortage of some essential raw materials was reported. Combined with disappointing vendor performance, there will be some frustration over the progress of work in hand and for being fit for the future post-Brexit world.

"But, for now, optimism remains relatively high, job creation solid across corporates and SMEs and additional efforts are being made to improve efficiencies across the sector. Yet uncertainty remains the enemy, and the next few months will be a waiting game for manufacturers hoping for more stable conditions."

– End –

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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 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.

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 115,000 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