

News Release

Purchasing Managers' Index® MARKET SENSITIVE INFORMATION

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IHS Markit/CIPS UK Manufacturing PMI®

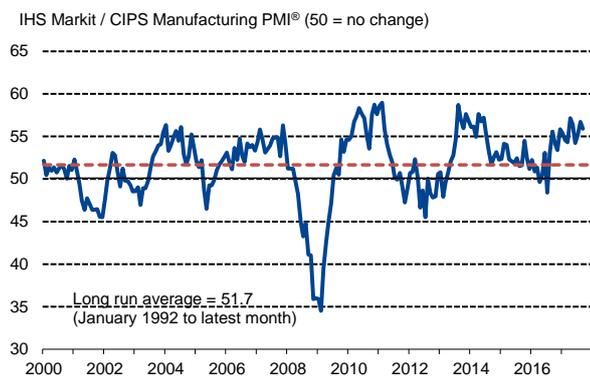
UK manufacturing sees further solid growth at end of third quarter

Key findings:

- UK Manufacturing PMI at 55.9 in September
- Further solid growth of output, new orders and employment
- Input price inflation rises to six-month high

Data collected September 12-26

IHS Markit/CIPS UK Manufacturing PMI



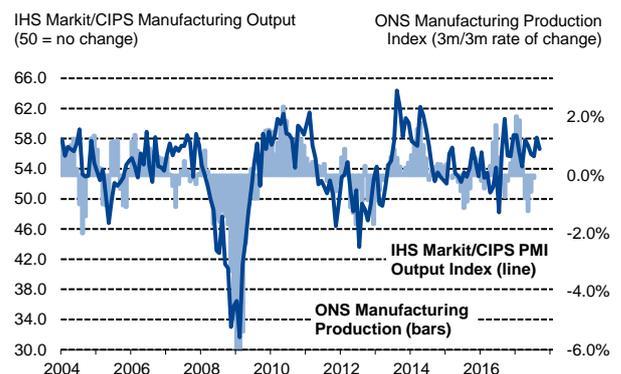
Source: IHS Markit

Summary:

The UK manufacturing sector continued to expand at a solid clip during September, with production and new orders both rising at above long-run average rates. However, the latest survey signalled that cost inflationary pressures surged higher. This reflected a combination of rising commodity prices, the exchange rate and increased supply-chain pressures.

The seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index® (PMI®) registered 55.9 in September, down from August's four-month high of 56.7, but above its long-run average of 51.7. Data included in the latest PMI report were collected between 12-26 September.

Manufacturing production rose for the fourteenth month running in September. However, the rate of expansion eased from August's recent high, in tandem with growth slowdowns across the consumer, intermediate and investment goods sub-sectors.



Sources: IHS Markit, UK Office for National Statistics

Where an increase in output was registered, this was mainly due to rising intakes of new business. Although the latest gain in new orders was slower than the prior survey month, companies reported that demand remained solid in both domestic and overseas markets.

Growth of new export business remained among the best registered over the past six-and-a-half years. There were reports of increased sales to Europe, the USA, China and Brazil. Some firms also mentioned an ongoing boost from the historical weakness of sterling, although this was less prominent as a factor than earlier in the year.

The outlook for the manufacturing sector also remained positive, with September seeing over 51% of companies report they expect production

to rise over the coming year. Optimism reflected efforts to expand overseas customer bases, improved efficiency, company expansion and investment plans and new product launches.

September saw further job creation at manufacturers. Although the rate of increase was slightly below August's three-year record, it remained broad-based across the consumer, intermediate and investment goods industries.

Input costs and output charges both rose at faster rates in September. The upswing in purchasing costs was linked to rising commodity prices, the exchange rate and supply-chain constraints (such as a lack of vendor capacity and shortages developing for a number of inputs).

This was also reflected in the trend in vendor performance during September, as lead times

Comments

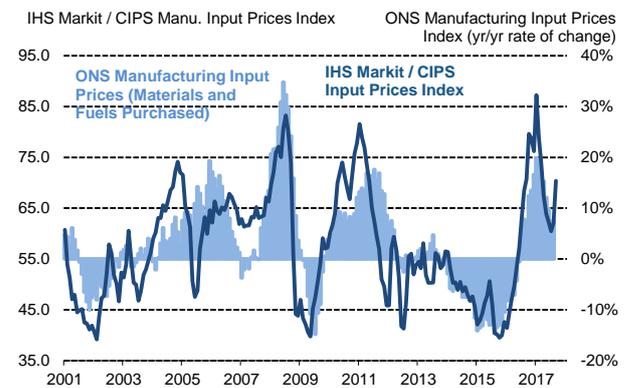
Rob Dobson, Director at IHS Markit, which compiles the survey:

"The latest PMI survey showed a modest deceleration in the rates of expansion in UK manufacturing production and new orders. Although it looks as if the sector made solid progress through the third quarter as a whole, the growth slowdown in September is a further sign that momentum is being lost across the broader UK economy. Exports remain a bright spot, however, still rising at one of the strongest rates over the past six-and-a-half years.

"Manufacturing is also increasingly being buffeted by rising cost inflationary pressures, as rising commodity prices and higher import costs from the historically weak sterling exchange rate are being exacerbated by supply-chain capacity constraints and input shortages. This will likely exert further upward pressure on prices, dent profitability and potentially disrupt production schedules in coming months.

"On balance, the continued solid progress of manufacturing and export growth is unlikely to offset concerns about a wider economic slowdown, but the upward march of price pressures will add to expectations that the Bank of England may soon decide that the inflation outlook warrants a rate hike."

lengthened to the greatest extent since April 2011. Input cost increases were passed on (at least in part) to clients, leading to the steepest increase in output charges for four months.



Sources: IHS Markit, UK Office for National Statistics

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

"The biggest news this month is the fall in the productivity of manufacturing supply chains as suppliers lost the fight to keep on top of promised delivery times and their performance weakened to the greatest extent for six-and-a-half years. The blame lay squarely at the feet of capacity constraints and some commodity shortages in food, but also other materials such as plastics and steel.

"Though new order growth remained broadly steady with business from both export and domestic markets, and employment levels were on the up, the threat of further inflationary pressures in the coming months continue to be a concern for margins as the sector experienced the highest inflationary rise in input prices for six months.

"In total, manufacturing activity was subdued, displaying a restrained pace of growth, barely moving from last month's figure. Though optimism was buoyant, supported by business investment, this levelling of activity growth raises fears of a possible entrenchment developing over the coming months if economic conditions fail to improve."

– End –

For further information, please contact:

For data and economic queries, please call:

IHS Markit

Joanna Vickers

Tel: +44 207 260 2234

Email: joanna.vickers@ihsmarkit.com

For industry comments, please call:

CIPS

Trudy Salandiak

Tel: +44 1780 761576

Email: trudy.salandiak@cips.org

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.

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About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 40 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

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