

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 0930 (London) / 0830 (UTC) April 3rd 2018

IHS Markit/CIPS UK Manufacturing PMI[®]

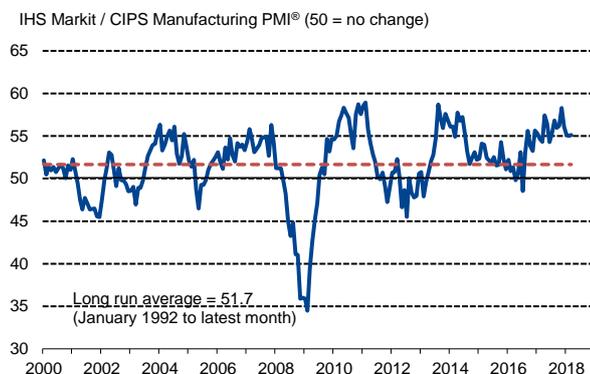
UK Manufacturing PMI signals steady growth rate at end of opening quarter

Key findings:

- UK Manufacturing PMI at 55.1 in March (February: 55.0)
- Output growth picks up, but upturn in new orders slows
- Input cost and output price inflation both slow

Data collected March 12-26

IHS Markit/CIPS UK Manufacturing PMI



Source: IHS Markit

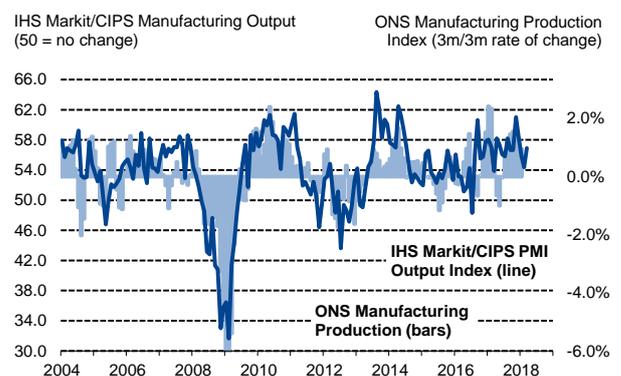
Summary:

The UK manufacturing sector maintained a steady pace of expansion during March. Output growth picked up, although this was offset by slower increases in both new orders and employment. On the price front, rates of inflation in input costs and output charges remained elevated despite easing slightly since February.

The seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index[®] (PMI[®]) posted 55.1 in March, little-changed from 55.0 in February. The average reading over the opening quarter as a whole (55.1) was the weakest in a year,

suggesting that the underlying pace of expansion has been generally slower since the start 2018.

Manufacturing production rose for the twentieth successive month in March. The rate of expansion accelerated to the sharpest in the year-so-far, despite a moderation in growth of incoming new orders. Similar to the trend in the headline PMI, average rates of expansion in production and new business over quarter one were lower than in recent quarters, suggesting that the underlying strength of the upturn has downshifted since the turn of the year.



Sources: IHS Markit, UK Office for National Statistics

Companies continued to report solid inflows of new work from both domestic and overseas markets in March. New export orders rose for the twenty-third month running, with the rate of increase slightly above the average for the sequence (despite easing to a five-month low). The latest expansion in new export business was linked to successful marketing campaigns, a

favourable exchange rate and improved sales volumes to existing clients.

Staffing levels rose for the twentieth month running in March, albeit at the slowest pace during the year-so-far. Higher employment combined with a mild deceleration in the rate of expansion in new orders meant that companies made further inroads into backlogs of work. Outstanding business fell marginally during the latest survey month.

Price pressures moderated in March, with rates of increase in input costs and output charges both decelerating. Although purchase prices rose to the

weakest extent in the year-to-date, the pace of inflation was still relatively strong. Higher costs reflected raw material shortages, supply chain disruption and rising commodity prices.

Average vendor performance deteriorated sharply, mainly attributed to ongoing supply-chain disruption, including shortages of certain inputs. There was also mention of weather-related delays.

Manufacturers maintained a positive outlook in March. Almost 55% of companies forecast that output will be higher in 12 months' time.

Comments

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

"The latest PMI survey provided further evidence that UK manufacturing has entered a softer growth phase so far this year. Although the pace of output expansion ticked higher in March, which is especially encouraging given the heavy snowfall during the month, this was offset by slower increases in new orders and employment. Average rates of increase over the opening quarter as a whole are also down noticeably from the growth spurt seen at the end of 2017. Compared to official data, the performance through quarter one is consistent with only a 0.4-0.5% gain in production volumes, a considerable slide from the fourth quarter's 1.3% increase.

"The key question is whether growth can now be sustained, albeit at a lower level, into the coming months. On that front the news is generally positive. Manufacturers are still reporting solid inflows of new work from domestic and overseas markets. Business optimism is holding steady at an elevated level, with over 54% of companies expecting output to expand over the coming 12 months. With cost inflationary pressures also moderating to provide some respite for margins, the sector looks set to make further slow and steady progress as we head through the spring."

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

"After the mini-boom of productivity at the end of last year, the sector still held its own, delivering a steady if unremarkable performance with overall activity improving very modestly from last month.

"Purchasing activity was higher than February's 8-month growth low but purchasers were frustrated by their suppliers who failed to deliver essential materials on time and delivery times continued to get longer. As shortages were reported the finger of suspicion was pointed at the continuing impact of inflation on raw material prices caused by the scarcity, and subsequently forcing firms to pass on these increased prices to customers at a significantly elevated rate.

"However, the biggest disappointment was the softening of new orders to a nine-month low followed by a feeble rise in job creation as the most discouraging result this year. While trade from the domestic market was still strong, and export markets also grew for the 23rd month in a row, the foundations for the sector's continuing strength were looking a little more unstable.

"Without a significant rise in new orders, and if supply chains are still disrupted by shortages or the weather, for the next few months it's anticipated that there will be a continued muted pace of growth. A rather apathetic prediction, but while optimism remains high and the sector continues its efforts to increase marketing activity and launch new products, everything could change."

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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.

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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 <https://ihsmarkit.com/products/pmi.html>.

About CIPS

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