

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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Markit/CIPS UK Manufacturing PMI®

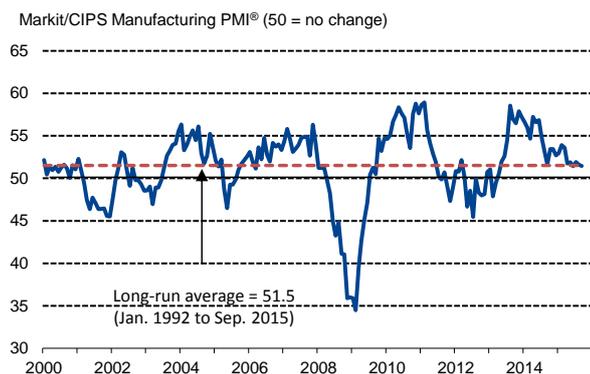
Manufacturing PMI slips to three-month low

Data collected 11-25 September 2015

Key points:

- UK Manufacturing PMI at 51.5 in September
- Input prices fall at fastest pace in over 16 years
- Marginal decrease in employment

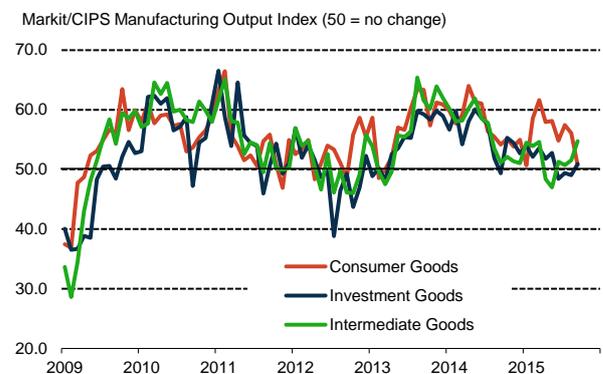
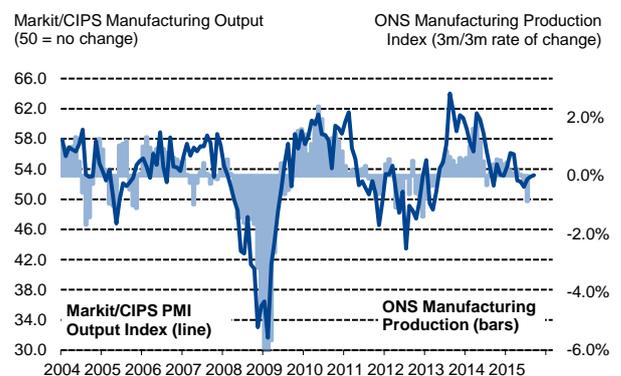
Historical Overview:



Summary:

The performance of the UK manufacturing sector remained lacklustre in September, rounding off one of its weakest quarters during the past two years. The generally subdued trends in both output and new orders during recent months filtered through to the labour market, with manufacturing job losses registered for the first time since April 2013.

The headline seasonally adjusted Markit/CIPS Purchasing Manager's Index® (PMI®) eased to 51.5 in September, down from a revised reading of 51.6 in August (originally reported as 51.5). The PMI has now posted above the 50.0 no-change mark for 30 months running. However, the pace of growth signalled during quarters two and three of this year have been weaker than those generally seen earlier in the current growth sequence.



Looking beneath the headline reading also provided a mixed picture for manufacturing. The trend in output growth signalled by the survey improved slightly, taking the rate of increase to a six-month high, but still well off the peaks seen during the opening quarter. New order growth, meanwhile, slipped to the joint-weakest pace in a year.

There was also noticeable variation in the trends between the manufacturing sub-sectors. Consumer goods producers – the star performer in recent surveys – saw a substantial output growth slowdown and a contraction in new order inflows for the first time in almost three-and-a-half years.

In contrast, intermediate goods producers saw a solid increase in output and investment goods production returned to growth. These trends were not repeated for employment, however. Consumer goods sector headcounts rose, investment goods producers made little change in staffing levels and job cuts were signalled by intermediate goods companies.

Cost pressures shifted further to the downside in September, as companies reported lower prices paid for commodities (especially oil and oil-related costs). The rate of cost deflation accelerated to its steepest since February 1999 and remained among

Comment:

Rob Dobson, Senior Economist at survey compilers Markit:

“The UK manufacturing sector remained sluggish at the end of the third quarter, stunned by a triple combination of a sharp slowdown in consumer spending, weak business investment and stagnating export order inflows. The survey is still broadly consistent with stagnation, or even a mild downturn, when compared to official data.

“Although some respite will have been felt through a sharp decrease in average input costs, the steepest in over 16 years, the generally lacklustre operating environment nonetheless encouraged firms to scale back employment for the first in two-and-a-half years. Job cuts send a signal that manufacturers are becoming more cautious about the future, which may lead to a further scaling-back of production at some firms in coming months.

“The ongoing malaise of the manufacturing sector will add to broader growth worries and supports dovish calls for a first rise in interest rates to be held off until industry returns to a firmer footing.”

the fastest registered in the near 24-year survey history. There was also mention of the exchange rate and competition among suppliers driving costs lower.

Average selling prices were reduced for the first time in three months during September, reflecting competitive pressure and some pass-through of lower input costs to clients. However, the rate of output charge decrease was only modest, with around 8% of companies reporting a reduction.

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

“The sector appears to be sidestepping any significant growth this month and offering little in the way of an upbeat performance, and unnerving those who expected a less disappointing result.

“The domestic market continued to be the main contributor to any growth, though the export market showed a flicker of life as order levels improved marginally. The bigger worry is in staffing levels and it was not a good month for the intermediate goods producers on that score with that sector showing the biggest fall in employment. The overall employment index is now hovering just below the no-change mark, its lowest level for two-and-a-half years.

“Input costs continued to fall at their fastest pace in over 16 years, supporting business margins as commodity prices dropped. A minority of companies also reduced their output prices to counteract pricing reductions from their competitors. An element of caution has crept into business sentiment for the future which remains relatively positive in an uninspiring landscape.”

**The October 2015 Report on Manufacturing will be published on:
Monday November 2nd 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 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 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 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/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 110,000 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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