

## News Release

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:30 (UK), 2<sup>nd</sup> February 2015**

## Markit/CIPS UK Manufacturing PMI®

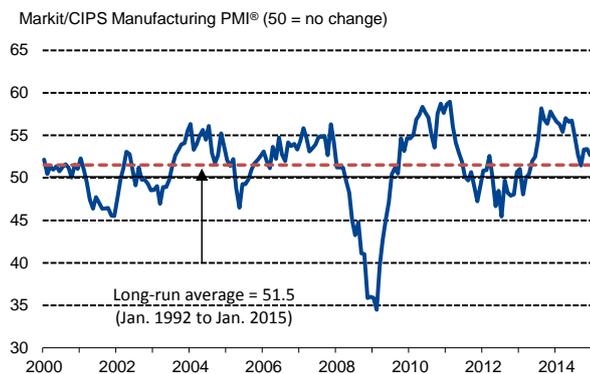
### Manufacturing PMI edges higher at start of 2015

Data collected 12-27 January 2015

#### Key points:

- Manufacturing PMI at 53.0 in January
- Growth of output and new orders ticks higher
- Purchase prices fall at fastest pace in over five-and-a-half years

#### Historical Overview:



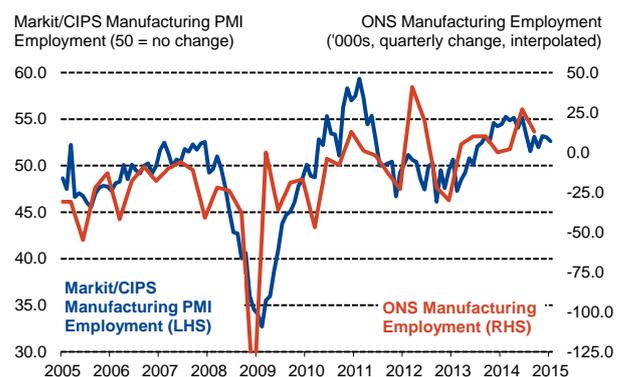
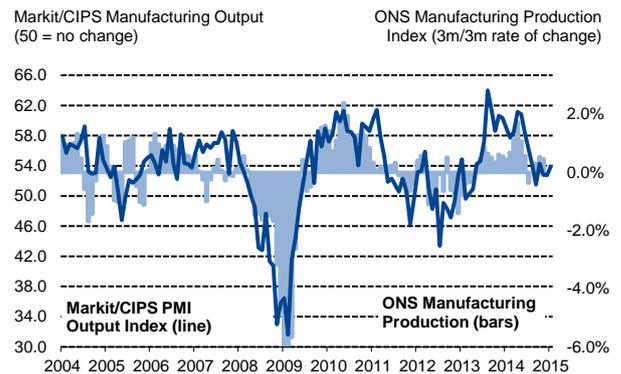
#### Summary:

UK manufacturing started 2015 on a firmer footing, as growth of output and new orders ticked higher following the slowdown seen through much of the latter half of 2014. The big mover during January was the trend in purchasing costs, as the recent slump in oil prices fed through to the steepest drop in input costs since May 2009.

The seasonally adjusted Markit/CIPS **Purchasing Manager's Index® (PMI®)** rose to 53.0 in January, a shade higher than December's revised reading of 52.7 (originally published as 52.5). The headline PMI has remained above the neutral 50.0 mark in each month since April 2013.

Manufacturing output expanded for the twenty-third consecutive month in January, underpinned by a further increase in incoming new orders. The

domestic market remained the prime driver of improved new order inflows. Solid output growth was registered at both intermediate and investment goods producers. However, the rate of growth in the consumer goods output ground to a near standstill pace.



There was also a modest increase in new business from overseas, representing the first meaningful improvement in new export order volumes registered for five months. Companies reported increased demand from France, Germany, Japan, the Middle East, Poland and the USA.

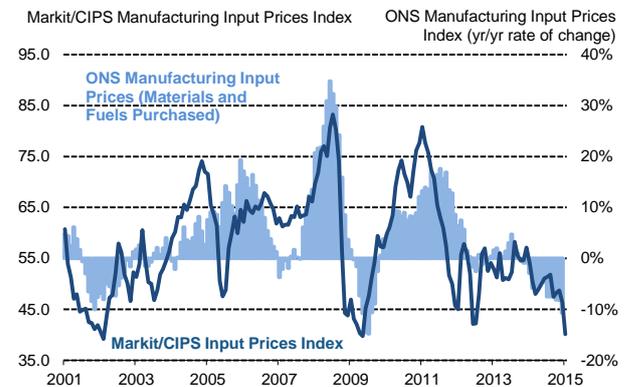
The ongoing upturn in the manufacturing sector encouraged further job creation during the latest

survey month. Staffing levels rose for the twenty-first successive month, although the rate of increase eased to a three-month low. Higher employment aided efforts to reduce backlogs of work at manufacturers, leading work-in-hand volumes to fall sharply.

January data signalled a steep drop in average input costs. The rate of purchase price deflation accelerated sharply to its steepest for over five-and-a-half years. Exactly 31% of companies reported a decline in input costs, which many linked to the recent slump in international oil prices. This had reduced the cost of energy, transportation and oil by-products.

Lower purchase prices filtered through to average output charges in January, as companies reduced

their selling prices for only the second time during the past five years. However, the rate of decline in output charges was only mild and substantially less marked than that signalled for input costs.



#### Comment:

**Rob Dobson, Senior Economist at survey compilers Markit:**

*“UK factories reported a welcome upturn in growth of output and order books at the start of the year, but producers clearly remain stuck in a low gear. The rate of expansion remains muted, however, with output rising at a quarterly pace of around 0.2% in January, barely improving on the 0.1% registered in the final quarter of last year. At this rate, the sector will provide little meaningful boost to the economy in the first quarter.*

*“The domestic market remains the main growth driver, as the UK economic recovery provides a steady stream of new business. There were also signs of improvement in overseas markets, with new export orders posting the first meaningful gain for five months, but it still looks as if lacklustre demand from the eurozone in particular remained a headwind for British manufacturers. This could soon change, however, if quantitative easing by the ECB has the desired effect of boosting demand in the euro area.*

*“Continued output growth and rising order inflows also encouraged manufacturers to raise employment. At present, the sector is still adding jobs at a pace of around five thousand per month.*

*“The big mover in the latest survey was the input prices index, as the recent slump in oil prices saw manufacturers’ purchasing costs fall at one of the fastest rates seen over the past 16 years. Selling prices also fell for only the second time in five years. Waning inflationary pressures will provide the Bank of England with leeway to push back the first rate increase to late-2015 at the earliest.”*

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

*“Manufacturers were picking up the pace a little as the sector reported a marginal increase in activity driven by domestic demand which continued to show signs of life. Though the overall index showed a modest increase, it may be enough to allay fears of an overall slowdown in the UK economy as the Eurozone continues to experience problems.*

*This month’s biggest trend for procurement and supply management professionals is the positives from the drop in oil prices and the effects on general purchasing prices which showed the biggest fall since May 2009 and which also had an effect on transportation costs and oil derivative products.*

*Vendor performance continued to show pressures, but less so than in recent months. The further increase in employment levels show that SMEs and corporates alike are gearing themselves up to meet the demand brought on by new work and backlogs, filling vacancies and upskilling current staff. The fall in purchasing volumes show stock levels were at sufficient levels to meet demand.*

*The world’s eyes will be focussed on reactions to Eurozone deflation and a response to the UK’s disinflationary pressures and how all this will be played out for manufacturing in the months ahead.”*

**The February 2015 Report on Manufacturing will be published on:**

**Monday 2nd March 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 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

Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ over 3,000 people in 10 countries. Markit shares are listed on NASDAQ under the symbol "MRKT". For more information, please see [www.markit.com](http://www.markit.com).

#### About PMI

*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](http://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 106,000 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](http://www.cips.org)

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