

News Release

Purchasing Managers' Index® MARKET SENSITIVE INFORMATION

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Markit/CIPS UK Manufacturing PMI®

Manufacturing growth regains momentum in October

Data collected 12-27 October 2015

Key points:

- UK Manufacturing PMI at 55.5 in October
- Output and new order growth accelerate
- Price pressures remain on the downside

Historical Overview:



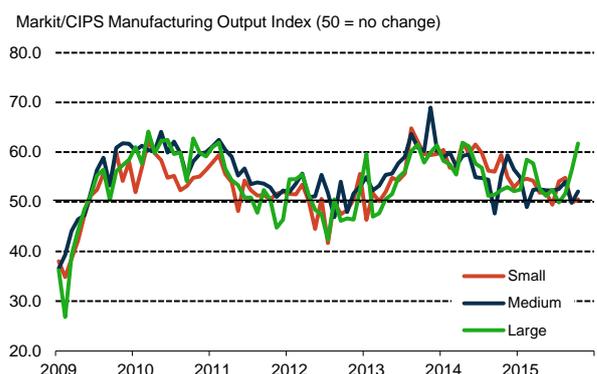
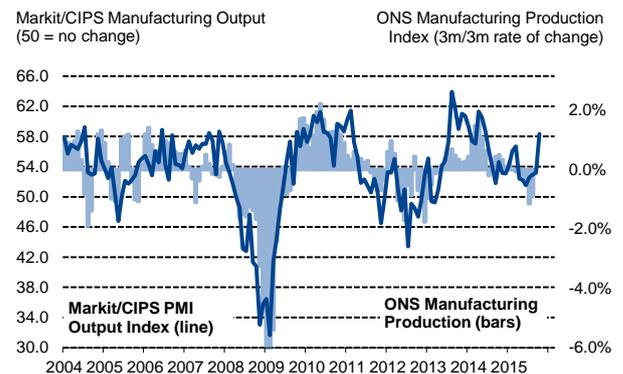
Summary:

The start of the final quarter saw the UK manufacturing sector record its best month of output growth since June 2014, stepping out of the subdued trend experienced through much of the year-to-date.

The headline seasonally adjusted Markit/CIPS Purchasing Manager's Index® (PMI®) rose to a 16-month high of 55.5, a noticeable improvement on the upwardly revised figure of 51.8 posted in September (originally reported as 51.5). The 3.7 point gain in the PMI level was one of the steepest registered during the near 24-year survey history.

October saw solid improvements in the rates of growth in output and new orders, in both cases the sharpest since the middle of last year. The domestic market remained the prime source of new

contract wins, while back-to-back increases in new export business were signalled for the first time since the third quarter of 2014. Companies saw improved intakes of new work from clients in the Middle East, East Asia and the USA.



Sector data pointed to broad-based expansions of both output and new business during October, with rates of increase moving higher at consumer, intermediate and investment goods producers. However, the latest survey still provided evidence that growth is being driven by a narrow section of the manufacturing industry, as strong and surging growth at large-sized companies contrasted sharply with the more subdued expansion at SMEs.

Manufacturing employment rose for the thirtieth successive month in October, as improved new order intakes and efforts to clear backlogs of work encouraged firms to raise capacity. Large scale producers reported a robust increase in staffing levels, whereas SMEs saw little change in employment since September.

Price pressures remained on the downside during October, as highlighted by a further decrease in average input costs and an associated reduction in factory gate selling prices.

The rate of input cost deflation was only slightly slower than September's 16-year record. Where a decrease was reported, this mainly reflected the ongoing reductions in global commodity prices. A

Comment:

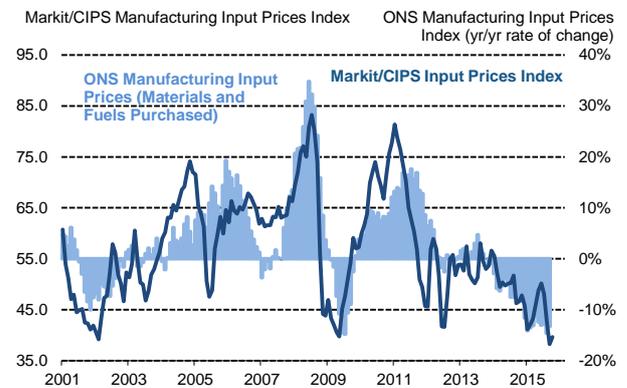
Rob Dobson, Senior Economist at survey compilers Markit:

"The start of the final quarter saw UK manufacturing spring back into life and record its best month of factory output growth since June 2014. The revival provides a tentative suggestion that the manufacturers are pulling out of their recent funk, having been dogged by recession since the start of the year, and may help boost economic growth in the fourth quarter. Based on historical comparisons, the survey is consistent with a quarterly rate of growth of around 1%, a vast improvement on what we have seen in recent months. The big question now is whether this bounceback is a one-off or the start of a sustained re-emergence from recession."

"The ongoing strength of the domestic market and a welcome improvement in new export orders led to a broad-based upturn in production of consumer, intermediate and investment goods. The revival of overseas sales is a particularly encouraging aspect of the latest survey, helping to dispel fears that global demand is slumping and boding well for the outlook."

"However, scratching further beneath the surface of the data reveals that the upturn is largely confined to the biggest manufacturers, who also benefitted most from the better export sales. Small and medium sized firms will also need to join in the recovery to help prevent the upswing from faltering."

wide range of raw materials were cited as being down in price, including metals, oil, oil-related products, plastics and timber.



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

"The sector rode on the crest of an exports market wave taking full advantage of the opportunity to create a surge of output growth and new orders."

"Though domestically orders were still strong, it was export orders primarily from the Middle East, East Asia and the USA, that supported this expansion of work. Larger corporates were the overall winners more able to meet the demands of the overseas markets and employing more staff, as SMEs lagged behind with little change."

"With global raw material prices on a continuing downward path, purchasers increased their levels of stocks at a rate not seen for almost five years. So, if other sectors follow suit, there will be more conviction that UK economic recovery is at last ongoing and sustainable."

The November 2015 Report on Manufacturing will be published on:

Tuesday December 1st 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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