News Release

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

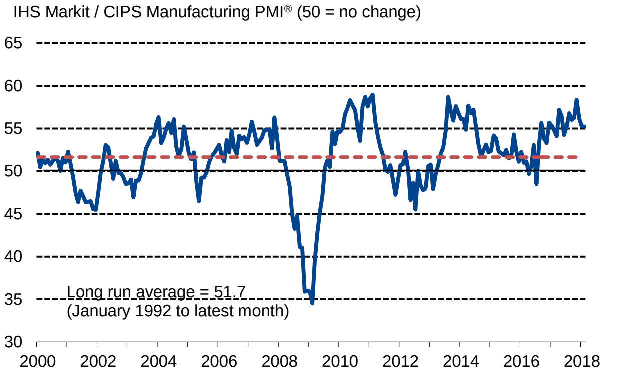
UK PMI slips to eight-month low as slower output growth offsets stronger new order inflows

Key findings:

- UK Manufacturing PMI at 55.2 in February (January: 55.3)
- Output growth slows despite improving demand and job creation
- Price pressures remain elevated but moderate since January

Data collected February 12-23

IHS Markit/CIPS UK Manufacturing PMI

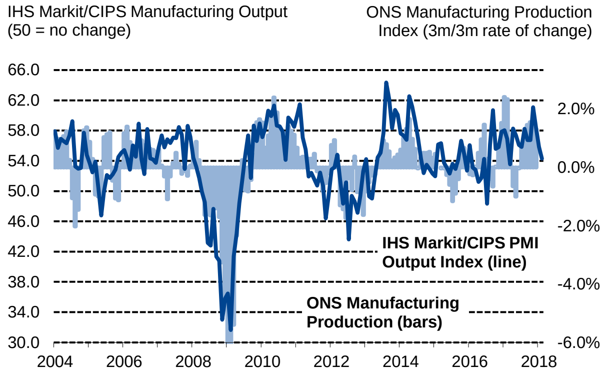


Source: IHS Markit

Summary:

The upturn in the UK manufacturing sector slowed further during February. At 55.2, the seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index® (PMI®) fell to an eight-month low and lost further ground after hitting a 51-month high last November.

Manufacturing production increased at the slowest pace for 11 months in February, with decelerations seen across the consumer, intermediate and investment goods sectors. Brighter news was provided by the trend in new orders, which rose at a faster pace than in January. Companies indicated that domestic demand strengthened, while new export business rose at a solid (albeit slower) pace.



Sources: IHS Markit, UK Office for National Statistics

New export business rose for the twenty-second successive month in February. Where an increase was reported, this was linked to improved sales to clients in the USA, China, Europe, Brazil and East Asia. However, the overall pace of expansion eased to a four-month low.

UK manufacturers' outlook also remained positive in February. Almost 56% of companies forecast that output would be higher in one year's time, compared to only 6% expecting a decline. Business confidence was linked to planned expansions, rising new order inflows, new product launches, investment activity and marketing efforts. Moreover, the degree of positive sentiment remained close to January's 28-month high.

The combination of ongoing expansion and expected future output growth encouraged further job creation at UK manufacturers in February. Employment rose for the nineteenth month in a row, with the rate of expansion the second-fastest since mid-2014. The increase in capacity aided efforts to reduce backlogs of work, which fell for the second straight month.

Rising demand also underpinned a further increase in manufacturers' purchasing activity during February. However, the rate of increase in input buying volumes slowed to an eight-month low. Companies indicated that rising demand for inputs was causing shortages to develop, leading to further lengthening of average vendor lead times and higher prices charged by suppliers.

Average input costs rose sharply during February, as manufacturers experienced price increases for a broad range of commodities and raw materials. Part of the increase in purchasing costs was passed on to clients in the form of higher output charges. However, rates of inflation in both price measures were slower than those signalled in the prior survey month.

Comments

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

"The February survey provided mixed signals on the health of the UK manufacturing sector. The PMI's Output Index fell to its second-lowest level since the EU referendum and, based on its past relationship with official ONS data, is consistent with only a subdued 0.4% quarterly pace of growth in production volumes. This would represent a marked downshift from the 1.3% increase signalled for the final quarter of 2017, providing a further brake on the rate of expansion in the wider economy.

"However, positive news was provided by other survey indicators that are suggesting output growth may revive in the coming months. New orders showed the largest monthly gain since November and are outpacing the rate of growth in output to one of the greatest extents in more than a decade. Stocks of finished goods fell, raising the forward looking new orders to inventory ratio, while companies remained sufficiently confident in the outlook to take on more staff.

"Supply-chain delays are also reining in production growth. Any easing in these constraints would not only provide a further boost to growth, but also ease some of the pressure on input costs. Price inflation currently remains stubbornly high, as suppliers pass on higher commodity and raw material costs in part caused by demand outpacing supply. If this feeds into rising consumer prices, household spending could take a further knock in coming months."

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

"With the Index almost a carbon copy of January's result and posting at its lowest for eight months, the sector was not filled with bonhomie in the second month of the year. All sectors lost their drive as manufacturing activity crawled at a snail's pace not seen for almost a year.

"Amidst these signs of a moderate slowdown, it was supply chain disruptions that were largely at fault. Suppliers underperformed not only on the timely delivery of goods but in their inability to meet the demand from makers for some raw materials. This intensified capacity issues and acted as a drag on overall purchasing activity.

"The biggest news in February was that despite the limited output, employment levels rose at the second fastest rate since the middle of 2014, fuelled largely by optimism from respondents that things would get better. Indeed, the continued rise in export orders and an uplift in new orders from the domestic market provided evidence that the foundations for continued growth were still buoyant.

"The concern however, will be whether the hard won gains over these last few months will continue to wither away. If supply chains are still challenged, rising costs for manufacturers are cascaded to consumers and Brexit uncertainty returns, the manufacturing sector may not have the fuel necessary to power itself into a winning position towards the end of the first quarter."

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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.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

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

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 procurement and supply management issues. CIPS has a global community of 115,000 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