

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 09:30 (UK), 1st July 2014

Markit/CIPS UK Manufacturing PMI®

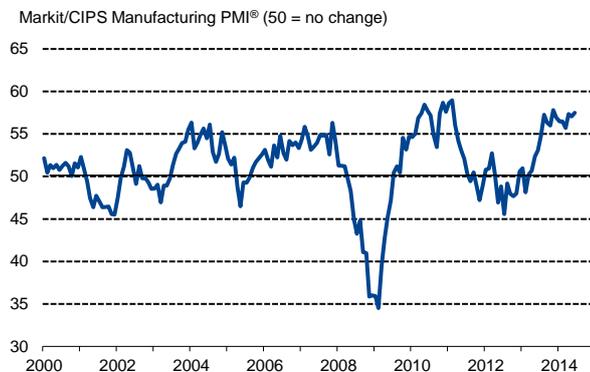
Strong growth of output, new orders and jobs in June round off robust second quarter for UK manufacturing

Data collected 12-25 June 2014

Key points:

- Manufacturing PMI at 57.5 in June
- Order inflows strengthen as demand improves in domestic and export markets
- Job creation at 39-month high, led by rising SME headcounts

Historical Overview:

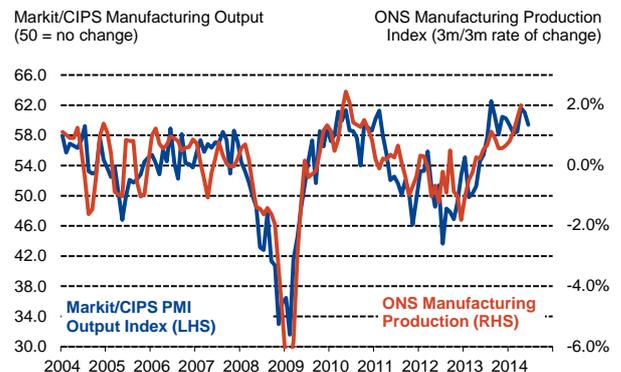


Summary:

At 57.5 in June, up from 57.0 in May, the headline seasonally adjusted Markit/CIPS *Purchasing Manager's Index*® (PMI®) posted its second-highest reading in 40 months, bettered only during this period by last November's 57.8. The PMI has now signalled expansion throughout the past 16 months. Furthermore, the average index reading during the second quarter is the highest since Q1 2011.

Manufacturing output increased for the sixteenth successive month in June. Although the rate of growth eased to a three-month low, it stayed elevated and sufficient to ensure the average pace over the second quarter as a whole was the strongest for 20 years. The latest survey saw robust

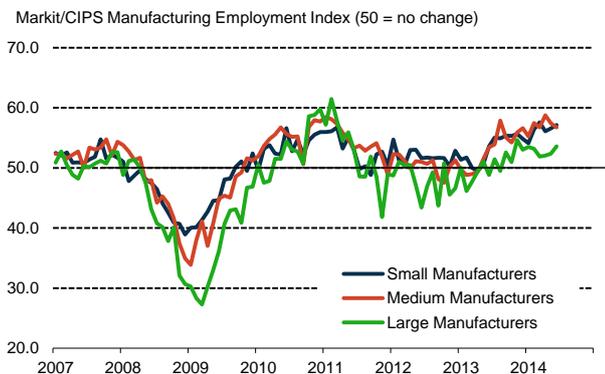
production growth maintained across the consumer, intermediate and investment goods sectors.



The level of incoming new business rose at the fastest pace since November 2013 and to one of the greatest extents since the survey began in 1992. The domestic market remained the prime source of new contract wins, although inflows of new export business also strengthened.

UK manufacturers reported growth in new work received from clients in Europe, Asia and the Middle East. There was also mention of companies making a further push into new markets aided by new product launches and the brightening economic situation. Subsequently, the rate of increase in new export orders accelerated to a five-month high.

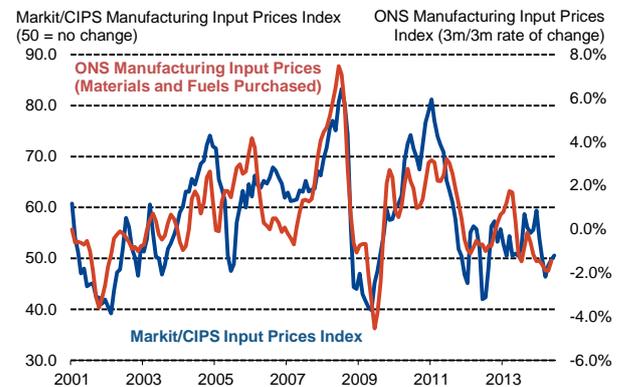
Manufacturing employment rose for the fourteenth successive month in June, as improved inflows of new business and increased production encouraged firms to expand capacity. The steepest rate of job creation was registered by SMEs, although large-scale producers also reported a solid increase to payroll numbers.



Price pressures rose during June, as average input costs increased for the first time since January and selling price inflation picked up.

The increase in purchase prices was centred on the intermediate goods sector. Some firms linked this to

shortages of certain raw materials, a factor further highlighted by a sharp lengthening in supplier lead times. In contrast, input costs fell at manufacturers of consumer and investment goods.



Comment:

Rob Dobson, Senior Economist at survey compilers Markit:

“UK manufacturing continued to flourish in June, rounding off one of the best quarters for the sector over the past two decades. With levels of production surging higher, and order books swollen by a further upswing in demand from both domestic and overseas clients, job creation accelerated to its highest for over three years.

“The goods-producing sector has clearly maintained its leading position in spurring broader economic growth. We expect official manufacturing production to have expanded in the second quarter at a pace above the 1.5% registered in the first quarter, making further headway into recovering pre-crisis output levels.

“Sustaining the recovery will remain the key and, on this front, the news also remained upbeat. As a broader expansion is also a more sustainable expansion, the ongoing surging growth of output and new orders across capital, consumer and intermediate goods producers alike is exactly what is required. Solid job creation across these sectors and at both SMEs and large producers bodes well not just for manufacturing but for sustaining the broader economic upturn as well.”

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

“The Manufacturing PMI hit a seven-month peak in June, rounding off its best quarter in over three years. The strong domestic market supported production and was the prime source of new business and sales, although new export orders also edged higher this month. Indeed, the brightening economic conditions and new product offerings meant that there was a healthy appetite to push into new markets.

“Over the second quarter, firms have enjoyed their best spell of output growth for 20 years, and in response have been able to boost employment even further this month. A rise in the number of jobs was seen across all sectors as well as across both SMEs and large companies, adding to signs that the economic recovery is broadening.

“On the price front, input prices rose slightly for the intermediate goods sector for the first time in four months. Added to this, heightened by shortages in raw materials, delivery times lengthened to the greatest extent in three years, indicating suppliers are grappling with the pace of growth and the demand it has brought.”

The July 2014 Report on Manufacturing will be published on:

Friday 1st August 2014 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

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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.

About CIPS

The Chartered Institute of Purchasing & 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 100,000 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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