

## News Release

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:30 (UK), 1<sup>st</sup> May 2015**

### Markit/CIPS UK Manufacturing PMI®

## UK manufacturing growth slows as intermediate goods sector falls back into contraction

Data collected 13-27 April 2015

#### Key points:

- UK Manufacturing PMI at 51.9 in April
- Consumer goods sector remains stand out performer
- Price pressures remain on the downside

#### Historical Overview:

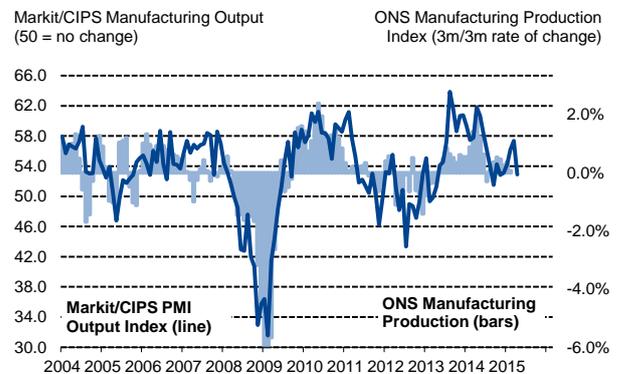


#### Summary:

April saw a marked slowdown in the rate of expansion of the UK manufacturing sector. Output rose at the weakest pace since November last year, while the base of the upturn narrowed and became further skewed towards the consumer goods sector.

The seasonally adjusted Markit/CIPS Purchasing Manager's Index® (PMI®) posted 51.9 in April, a seven-month low and below the revised March reading of 54.0 (originally 54.4). The PMI has nonetheless remained above the neutral 50.0 mark, signalling expansion, for 25 consecutive months.

The slowdown in the rate of increase of output occurred in tandem with weaker growth of incoming new business, in turn led by a decrease in the volume of new work received from abroad.



Companies reported that the domestic market continued to exhibit a degree of strength, leading to growth of total new orders. However, the sterling-euro exchange rate was also hitting competitiveness in our largest trading partner (the eurozone).

Growth of output and new orders was largely centred on the consumer goods sector during April, with rates of expansion in this market group remaining substantial. In contrast, the intermediate goods sector saw output and new orders fall back into contraction, while investment goods firms posted a decline in new work and slower production growth.



Manufacturing employment increased for the twenty-fourth successive month in April, with modest job creation signalled in both the consumer and investment goods sectors. Increased workloads were the primary factor encouraging firms to take on additional staff.

Price pressures remained on the downside in April, with both input costs and output charges falling during the latest survey month. Meanwhile, shortages of certain raw materials led to longer delivery times from suppliers.

Average input prices declined for the eighth successive month during April. Where a reduction was reported, this was linked to the euro-sterling exchange rate and higher costs for commodities, oil by-products and some food raw materials.

Conversely, there also were some manufacturers reporting an increase in prices paid for dollar-denominated inputs, mainly due to the sterling-US dollar exchange rate.

April saw output prices decrease for the fourth straight month, with the rate of deflation the steepest since September 2009.

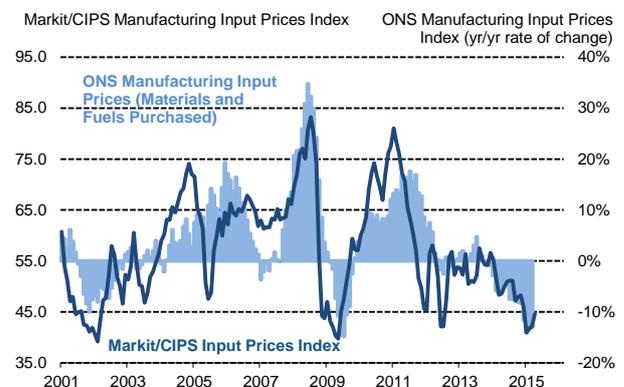
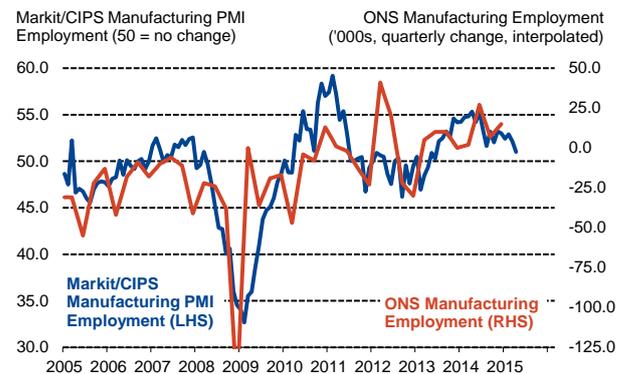
**Comment:**

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

*“Coming on the back of weaker-than-expected GDP numbers on Tuesday and only six days before the General Election, today’s UK PMI delivered less than positive news on the health of the manufacturing sector. Rates of expansion in production and order books both slowed sharply in April, meaning manufacturing is again unlikely to provide much of a boost to broader economic growth. This keeps the emphasis for maintaining the recovery highly reliant on the service sector.”*

*“Growth remains largely consumer-led, with the strong performance of the consumer goods sector in stark contrast with other sectors. Companies that supply manufactured inputs to other firms reported a return to contraction, suggesting other firms are planning to cut production.”*

*“The investment and export pictures are also subdued. A decline in capital goods new orders is a weak bellwether for business investment spending, while a slowing global economy and strong sterling-euro exchange rate are hurting the competitiveness of exporters.”*



*“A key challenge for the next government is to revive manufacturing and help it at least regain its pre-crisis peak, as any signs of rebalancing the economy towards manufacturing and exports remain frustratingly elusive.”*

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

*“A sudden slowdown in activity growth in manufacturing may surprise some economic commentators hoping for a more linear recovery at higher rates of expansion, but the index remained in positive territory this month.”*

*“The domestic market showed solid leadership by providing the source of many of the new orders albeit at a more subdued level, with export orders still dragging their feet. The consumer goods sector achieved faster growth of activity than the other sectors, with the investment and intermediate goods sectors relative laggards.”*

*“Businesses were keen to keep stock and inventory levels lower and are taking advantage of lower commodity costs to re-invest in other areas of the business such as employment which showed another strong rise.”*

*“Shortages in a number of raw materials added pressure to supply chains besieged by recent rises in new orders, backlogs and ongoing activity. Delivery times from suppliers increased which may add pressure in the coming months at a time when the sector still hasn’t made as much headway as the other sectors to reach pre-recession levels of output.”*

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

**Monday 1<sup>st</sup> June 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**

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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](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 110,000 in 150 countries, including senior business people, high-ranking civil servants and leading academics. The activities of procurement and supply chain

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