

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 0930 (London) / 0930 (UTC) January 2nd 2018

IHS Markit/CIPS UK Manufacturing PMI[®]

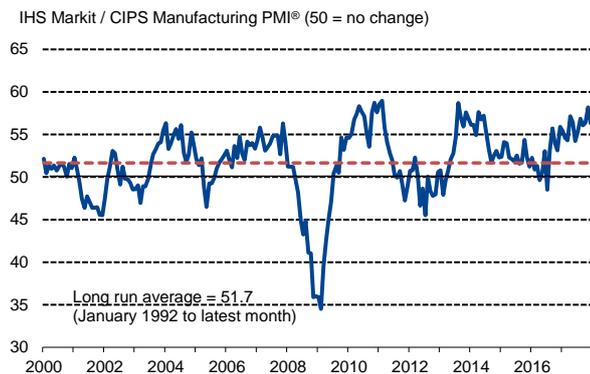
UK manufacturing sector growth remains solid at end of 2017

Key findings:

- UK Manufacturing PMI at 56.3 (November: 58.2)
- Output, new orders and employment all rise at solid rates
- Input cost and output price inflation ease

Data collected December 5-19

IHS Markit/CIPS UK Manufacturing PMI



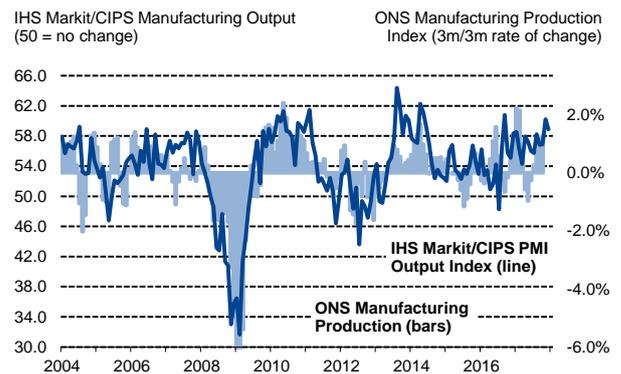
Source: IHS Markit

Summary:

The UK manufacturing sector ended 2017 on a positive note. Although December saw rates of expansion in output, new orders and employment slow from November's highs, growth in all three remained solid and well above long-run trends.

The seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index[®] (PMI[®]) posted 56.3 in December, down from November's 51-month high of 58.2. The headline PMI has now remained above the 50.0 no-change mark for 17 consecutive months. The average reading over the final quarter of 2017 (57.0) was the best since the second quarter of 2014.

Manufacturing output and new orders have both expanded throughout the past 17 months. Companies reported that production was scaled up in response to solid inflows of new work and the launch of new product lines.



Sources: IHS Markit, UK Office for National Statistics

Output growth accelerated in the intermediate and investment goods sectors, but slowed at producers of consumer goods. The strongest pace of expansion overall was registered in the intermediate goods category.

Part of the increase in new business at UK manufacturers reflected a solid increase in new export sales. Demand improved from clients in Europe, the USA, China and the Middle East.

Rising intakes of new work tested capacity, leading to a modest increase in outstanding business. These in turn encouraged companies to raise employment, with job creation registered for the seventeenth month in a row.

Investment goods producers reported a strong increase in staff levels. The expansion was solid in

the intermediate category, but only slight in the consumer goods sector.

The rate of increase in input costs eased to a four-month low in December, but remained marked overall. Companies linked higher costs to rising raw material prices, input shortages, suppliers raising their prices and the exchange rate. The cost of chemicals, electrical goods, electronics, metals, paper, plastics, timber and utilities were all reported as higher.

Part of the increase in purchase prices was passed on in the form of higher output charges in December. Selling prices rose for the twentieth successive month. Companies also linked the latest increase in charges to stronger demand.

UK manufacturers maintained a positive outlook in December, with close to 54% of companies reporting that they expect production to rise over

Comments

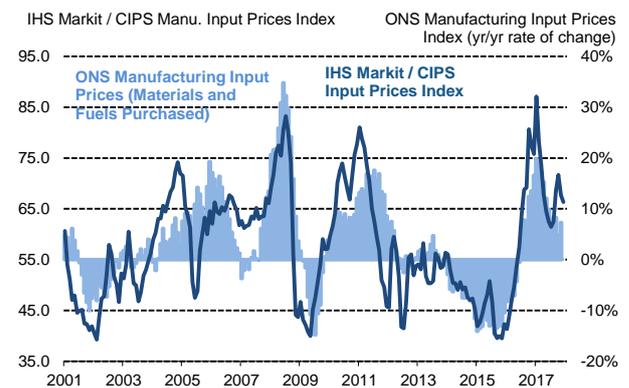
Rob Dobson, Director at IHS Markit, which compiles the survey:

“UK manufacturing ended 2017 on a positive footing. Although growth of output and new orders moderated during December, rates of expansion remained comfortably above long-term trend rates. The sector has therefore broadly maintained its solid boost to broader economic expansion in the fourth quarter. The outlook is also reasonably bright, with over 50% of companies expecting production to be higher one year from now.

“The main growth engines were the intermediate and investment goods sectors during December, suggesting resilient business-to-business demand and capital spending trends, albeit in part due to rising exports. Growth in the consumer goods sector remained weak in comparison and was the only sub-industry to see output expand at a slower pace than November.

“Rates of inflation in input costs and selling prices both moderated in December. Although still running at elevated levels, this at least provides signs that the recent surge in price inflation is starting to abate. This trend should continue at the start of 2018, as supply-chain pressures hopefully ease further.”

the coming year. Positive sentiment reflected investment in capacity and machinery, expected growth in domestic demand and export sales, new product launches and efforts to increase market share.



Sources: IHS Markit, UK Office for National Statistics

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

“Purchasing activity and new orders maintained a healthy momentum this month, as domestic orders kept pace with rising export requests from the US, Europe and the Middle East.

“Supply chains paid the price of this success across all the sectors however, as suppliers were showing signs of strain under new and existing demand.

“Challenges over costs also remained, as input prices rose for the twentieth month in a row, partly as a result of shortages of some key materials and intense competition. But the sector was confident enough to offset these higher costs by raising its own prices as clients were demanding and business optimism was high.

“This self-assurance extended to continued jobs growth across all the sectors which will provide some relief to jobseekers in households still slightly hesitant about the future.

“The manufacturing sector’s performance is encouraging, showcasing a resilient response to the ebbs and flow of the year’s uncertainty with a sparkling end to a strong period of growth.”

– End –

For further information, please contact:

For data and economic queries, please call:

IHS Markit

Joanna Vickers

Tel: +44 207 260 2234

Email: joanna.vickers@ihsmarkit.com

For industry comments, please call:

CIPS

Trudy Salandiak

Tel: +44 1780 761576

Email: trudy.salandiak@cips.org**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.

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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 www.markit.com/product/pmi.

About CIPS

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