

## News Release

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL 0930 (London) / 0830 (UTC) August 1st 2017**

### IHS Markit/CIPS UK Manufacturing PMI<sup>®</sup>

## UK manufacturing boosted by near survey-record growth of new export orders

#### Key findings:

- UK Manufacturing PMI ticks up to 55.1 in July
- Solid new order intakes boosted by strong export performance
- Job creation among best recorded in past three years

Data collected July 12-26

#### IHS Markit/CIPS UK Manufacturing PMI



Source: IHS Markit

#### Summary:

The rate of improvement in UK manufacturing operating conditions accelerated for the first time in three months at the start of the third quarter. This was highlighted by the seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>) rising to 55.1 in July, up from 54.2 in June.

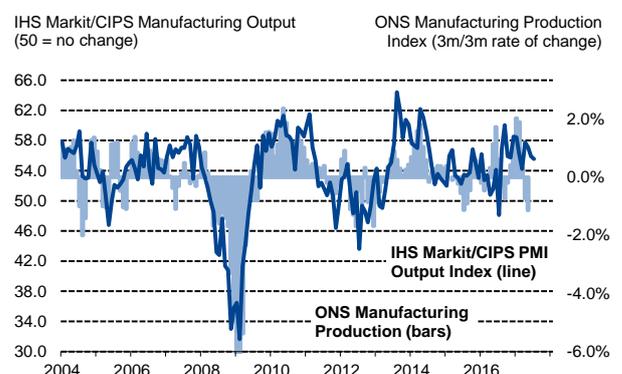
The headline PMI was boosted by stronger inflows of new work, higher levels of production, improved job creation, longer supplier delivery times and a slight increase in inventory holdings.

The rate of expansion in new orders accelerated

during July. However, the improvement in the pace of increase was still among the slowest registered over the past year. This was despite a significant boost from the trend in new export business, as foreign demand rose at the second-strongest rate in the series history, beaten only by that recorded in April 2010.

Companies reported improved inflows of new work from clients in North America, Europe, the Asia-Pacific region and the Middle-East. The domestic market also remained a positive contributor to order books, although not to as great an extent as signalled earlier in the year.

Manufacturing production increased for the twelfth successive month in July. Although the rate of expansion eased to its lowest since March, it remained above the long-run survey average. The consumer goods sector saw the strongest increase in output, followed closely by intermediate goods producers.



Sources: IHS Markit, UK Office for National Statistics

The ongoing upturns in output and new orders encouraged further job creation in July. Staffing levels rose for the twelfth straight month. The pace of expansion was among the best registered over the past three years.

Cost pressures eased in July. Input prices rose at the slowest pace in over a year, and to a significantly lesser extent than the survey-record increase seen in January. Companies linked higher costs to increased raw material prices, the exchange rate and shortages of certain inputs.

Part of the increase in costs was passed on in the form of higher selling prices. Output charges rose for the fifteenth consecutive month.

UK manufacturers maintained a positive outlook at the start of the third quarter. Almost 49% expect production to be higher in one year's time, while

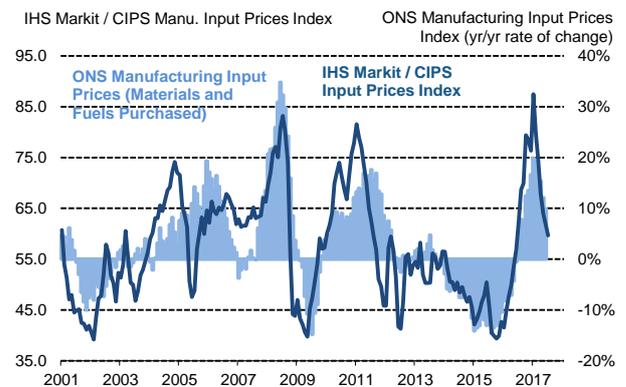
## Comments

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

*“UK manufacturing started the third quarter on a solid footing. The headline PMI signalled a growth acceleration for the first time in three months during July, as new order intakes were boosted by a near survey-record increase in new export business. Although the exchange rate remains a key driver of export growth, manufacturers also benefitted from stronger economic growth in key markets in the euro area, North America and Asia-Pacific regions.*

*“Continued expansion is also still filtering through to the labour market, with the latest round of manufacturing job creation among the best seen over the past three years.*

*“Price pressures also continued to ease in July, as the rates of input cost and output charge inflation both slowed further. Input prices rose at the weakest pace in over a year, down substantially from the record high seen at the start of the year. If this trend of milder price pressures is also reflected in other areas of the UK economy, this should provide the Bank of England sufficient lee-way to maintain its current supportive stance until the medium-term outlook for economic growth becomes less uncertain.”*



only 5% forecast a contraction. Positive sentiment was linked to increased export order volumes, new product launches, efforts to improve market share and expand into new markets, global economic recovery and investment in new capacity.

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

*“The manufacturing sector remained on terra firma this month, with a sustained rise in new orders, overall activity, new jobs, and with strong optimism to boot.*

*“As overall production showed a further increase compared to last month, it was the powerful rise in new export orders, the strongest since April 2010 which was the biggest surprise. The weak pound and improving global economic conditions from North America to Asia Pac resulted in more business for the UK, though the domestic market also stayed resilient.*

*“There was good news for job hunters with one of the strongest rises in employment for three years and gains for the twelfth progressive month as manufacturers showed optimism for future business. There was also some light relief for purchasers as input price rises were less sharp than they have been for over a year and respondents increased future and bulk purchasing deals to rein in costs.*

*“Any downside to this now prolonged level of expansion is the strain on supply chains, as delivery times were stretched to the biggest extent since May 2011, and suppliers struggled to provide*

*a number of key materials such as rubber, aluminium and some chemicals.”*

– 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](mailto:joanna.vickers@ihsmarkit.com)

For industry comments, please call:

**CIPS**

Trudy Salandiak

Tel: +44 1780 761576

Email: [trudy.salandiak@cips.org](mailto:trudy.salandiak@cips.org)

**Note to Editors:**

Where appropriate, please refer to the survey as the IHS Markit/CIPS UK Manufacturing PMI<sup>®</sup>.

The IHS Markit/CIPS UK Manufacturing PMI<sup>®</sup> 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<sup>®</sup> 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<sup>®</sup> (PMI<sup>®</sup>) 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<sup>®</sup> (PMI<sup>®</sup>) 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/product/pmi](http://www.markit.com/product/pmi).*

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