

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 0930 (London) / 0930 (UTC) December 1st 2017

IHS Markit/CIPS UK Manufacturing PMI[®]

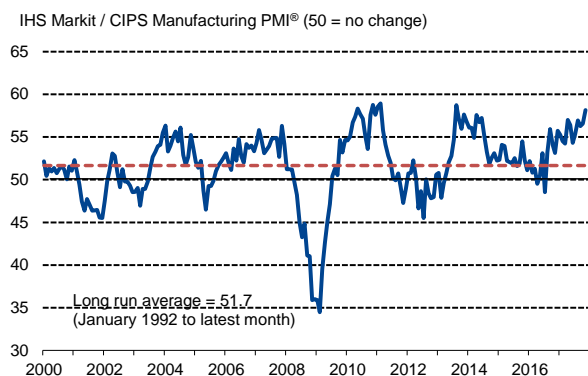
UK Manufacturing PMI climbs to highest level in over four years

Key findings:

- UK Manufacturing PMI at 58.2 in November (51-month high)
- Output, new orders and employment all rise at faster rates
- Investment goods new orders increase at steepest pace since August 1994

Data collected November 13-27

IHS Markit/CIPS UK Manufacturing PMI



Source: IHS Markit

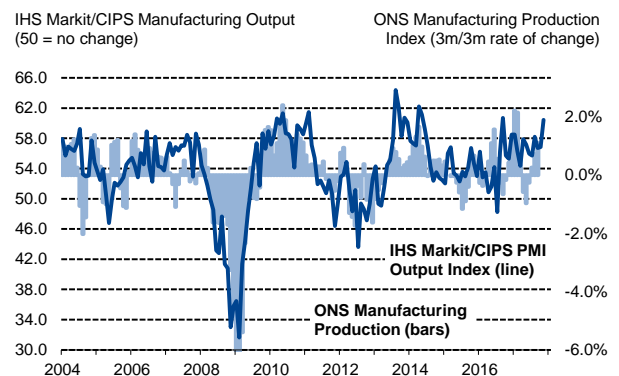
Summary:

November saw the UK manufacturing sector move up a gear, with rates of increase in new orders and production among the best registered over the past four years. This tested capacity and encouraged further job creation, with employment rising to the greatest extent since June 2014.

The seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index[®] (PMI[®]) rose to 58.2 in November, up from 56.6 in October (originally reported as 56.3), its highest level since August 2013. The reading is the tenth-best registered

during the near 26-year series history. The latest survey was conducted between 13-27 November.

Manufacturing production expanded at the fastest pace since September 2016 and to one of the greatest extents during the past four years. Companies linked this to stronger inflows of new orders, reflecting solid domestic demand and steeper gains in new export business.



Sources: IHS Markit, UK Office for National Statistics

Some companies noted higher sales to clients in Europe, the Americas, Asia and the Middle East. There were also reports that the historically weak sterling exchange rate continued to boost export competitiveness (although mentions of this were less prevalent than earlier in the year).

The expansion remained broad-based by sub-sector. Strong and accelerated growth of production and new orders was registered across the consumer, intermediate and investment goods industries. Investment goods producers saw an especially marked increase in new orders, the sharpest seen since August 1994.

Backlogs of work at UK factories increased for the first time in six months during November. Tighter capacity combined with rising demand encouraged companies to increase employment. Staffing levels rose for the sixteenth successive month, with the rate of jobs growth the highest since June 2014.

November saw purchasing costs rise at a pace close to October's seven-month high, reflecting increased commodity prices (including for oil and steel), exchange rate effects and higher vendor prices due to supply-chain constraints. The latter was also highlighted by a further substantial lengthening in average supplier delivery times.

Output charges continued to rise at a substantial clip, the fastest for seven months and among the highest during the past six-and-a-half years. Companies linked the latest increase to stronger demand boosting their pricing power and the pass-through of rising costs to clients.

Comments

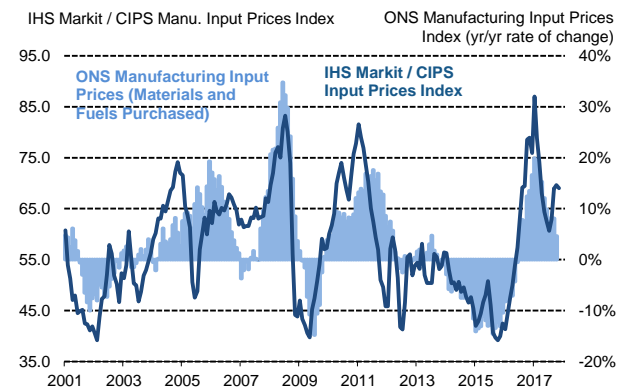
Rob Dobson, Director at IHS Markit, which compiles the survey:

"UK manufacturing shifted up a gear in November, with growth of output, new orders and employment all gathering pace. On its current course, manufacturing production is rising at a quarterly rate approaching 2%, providing a real boost to the pace of broader economic expansion."

"The breadth of the rebound is also positive, with growth strengthening across the consumer, intermediate and investment goods industries. Of real note was a surge in demand for UK investment goods, such as plant and machinery, with new orders for these products rising to the greatest extent in over two decades. This suggests that capital spending, especially in the domestic market, is showing signs of renewed vigour."

"On the price front, rates of inflation in input costs and output charges remained elevated. Manufacturers have seen supply-chain constraints and rising demand for raw materials overtake exchange rate effects as the primary motivator of price increases. The coming months should provide greater evidence on any impact that the recent interest rate increase from the Bank of England will have on reining in cost pressures."

Manufacturers maintained a positive outlook for the sector in November, with over 50% expecting production to be higher in one year's time. Optimism was linked to company growth plans, capital spending, improving market conditions and efforts to grow client bases.



Sources: IHS Markit, UK Office for National Statistics

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

"A festive toast to a positive end after a turbulent Brexit backdrop year. Encouraging global market forces provided the foundation for the strongest rise in activity for 14 months, and a renewed confidence and focus in the manufacturing sector."

"As the impact of the weak pound diminished, businesses were turning their attention to new opportunities, clients, and investment as business optimism flourished from October's four-month low. However this increase in demand meant suppliers fared less well as delivery times continued to lengthen amidst the scramble in demand and raw material shortages, leading to further rises in input costs for manufacturers which were then passed on to customers."

"The domestic market remained strong but new export orders primarily from the US and Europe were a big part of this overall picture of success. Job seekers were also winners, with the strongest rise in employment since June 2014, plugging the gap in growing capacity issues."

"We wait with bated breath to see if the EU negotiations manage to derail this accomplished"

end to the year or lift the sector to new heights with a clear path ahead for the UK.”

– End –

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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.

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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 www.markit.com/product/pmi.

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

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