

News Release

Purchasing Managers' Index[®] MARKET SENSITIVE INFORMATION

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IHS Markit/CIPS UK Manufacturing PMI[®]

Manufacturing growth gathers pace as new order inflows strengthen

Key findings:

- Manufacturing PMI at four-month high of 56.9
- Broad-based expansion seen across all product categories
- Input price inflation accelerates for first time in seven months

Data collected August 11-25

IHS Markit/CIPS UK Manufacturing PMI



Source: IHS Markit

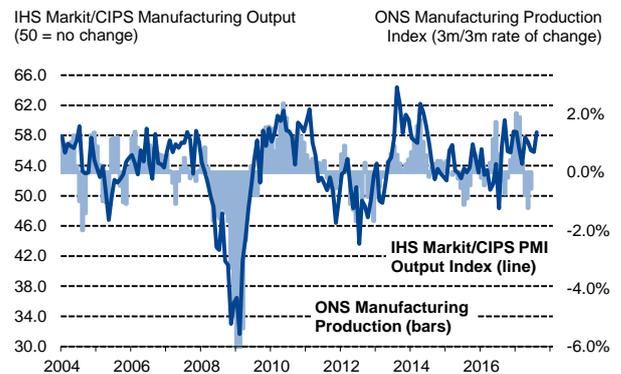
Summary:

The rate of expansion in the UK manufacturing sector accelerated again in August. This was highlighted by the seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index[®] (PMI[®]) posting 56.9, up from 55.3 in July, to its second-highest level in over three years.

All five of the PMI components – output, new orders, employment, suppliers' delivery times and stocks of purchases – were consistent with a stronger performance for the manufacturing industry during August.

Production rose at the steepest pace in seven months, underpinned by faster intakes of new

work received. Moreover, rates of expansion in both variables were among the best registered since mid-2014.



Sources: IHS Markit, UK Office for National Statistics

The domestic market was the prime source of new contract wins, while the trend in new export business also remained robust. Although the rate of improvement in foreign demand eased from July's near-record high, it remained among the strongest seen since new export orders data were first collected in January 1996.

Companies linked gains in new export work to increased business from mainland Europe, the USA, China and Australia. The historical weakness of the sterling exchange rate was also reported to have boosted export competitiveness.

The stronger performance of the manufacturing sector filtered through to the labour market in August. Job creation was recorded for the thirteenth straight month, with the rate of increase the quickest since June 2014.

The upturn in UK manufacturing also remained broad-based in nature during August. Concurrent

growth of output, total new orders, new export business and employment was recorded across the consumer, intermediate and investment goods sectors and also at SMEs and large-scale producers.

Purchase price inflation accelerated for the first time in seven months during August. However, the overall rate of increase remained well below the record high seen at the start of the year.

Almost 31% of companies reported an increase in purchase prices, which they generally linked to the rising cost of commodities. Some noted that purchase price pressures had been exacerbated by shortages developing for certain key inputs. Supply-side constraints were also reflected in the trend in vendor lead times. Manufacturers' selling prices rose at a solid, yet slower, pace.

Business optimism improved to a three-month high in August. Positive sentiment was attributed to

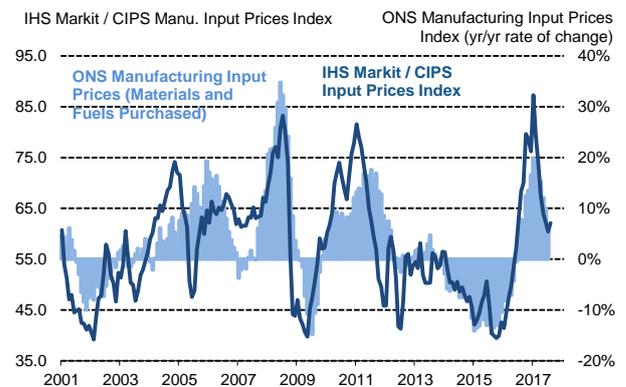
Comments

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

"The UK manufacturing sector continued to show signs of solid progress during the third quarter, with rates of expansion in output, new orders and employment all gathering pace in August."

"The key question is whether this positive start to the second half of the year can be sustained. This is looking increasingly likely during the near-term, given the breadth of the expansion. Business conditions improved across the three main sub-sectors – consumer, intermediate and investment goods – and at smaller and large-scale producers alike. Business confidence also rose to one of its highest levels in over a year."

"There are increasing signs of supply-side issues leading to raw material and staff shortages, which could become a constraint on output growth going forward, while also leading to higher costs. However, at the moment, the survey data suggest that the manufacturing economy remains in good health despite Brexit uncertainty, and should help support on-going growth in the economy in the third quarter, which will add fuel to hawkish policymakers' calls for higher interest rates."



Sources: IHS Markit, UK Office for National Statistics

rising demand, new product launches, efforts to improve market share and expand into new markets, a stronger global economy and planned investment spending. Over half of companies expect output to be higher in one year's time, compared to less than 7% that forecast a decline.

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

"Market forces continued to be supportive of the sector this month, as purchasing activity was strong, more jobs created and new orders rose across all three sectors, for companies large and small. Buoyed up by a rebound in domestic demand, the sector's overall performance was one of the strongest since 2014."

"New export orders didn't disappoint either with new business wins from Europe and the USA – which all supported the sector's fastest rise in jobs growth since June 2014."

"But the impact on supply chains was less welcoming, as delivery times were stretched, and supplier performance has recently been the weakest since the middle of 2011. The sector experienced one of its longest lists of material shortages for many years, so suppliers will have to develop more forward-thinking strategies to build up stocks and meet ongoing demand, if the current wave of optimism and purchasing activity continues into the last quarter of the year."

– 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 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.

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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