News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0930 (London) / 0930 (UTC) March 1st 2016

Markit/CIPS UK Manufacturing PMI®

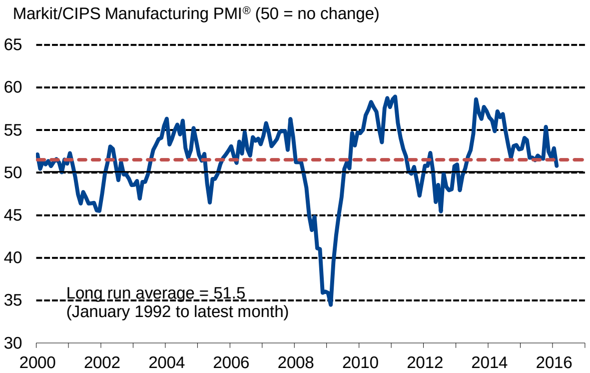
UK Manufacturing PMI at 34-month low in February

Data collected 12-24 February 2016

Key points:

- UK Manufacturing PMI posts 50.8, slightly above the stagnation mark
- Output growth slows sharply in consumer and investment goods sectors
- Input cost deflationary pressure remains strong

Historical Overview:

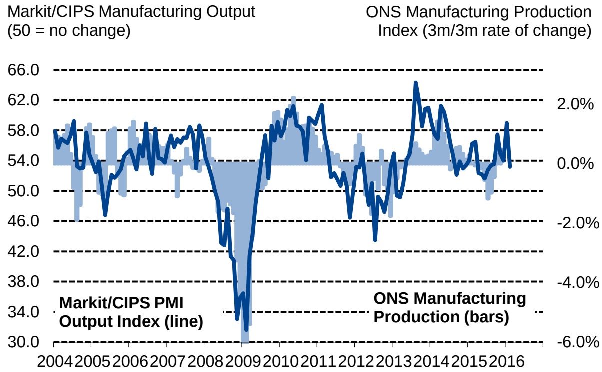


Summary:

February saw the rate of expansion in the UK manufacturing sector slow back towards the stagnation mark. Output growth eased sharply, as levels of incoming new business showed little-movement on one month earlier. The slowdown was also reflected in the labour market, with job losses registered for the second straight month.

At 50.8 in February, down from 52.9 in January, the seasonally adjusted Markit/CIPS Purchasing Manager's Index® (PMI®) posted its lowest reading since April 2013 – the first month of the current 35-month sequence of expansion.

The growth rate of manufacturing production slumped to a seven-month low in February, led by sharp decelerations in the consumer and investment goods sectors.



Both the capital and consumer goods industries saw levels of total new business decline in February, reflecting subdued trends in domestic and foreign demand. The intermediate goods sector saw new order volumes tick higher. Subsequently, output growth in this category slowed less sharply than at consumer and investment goods producers.

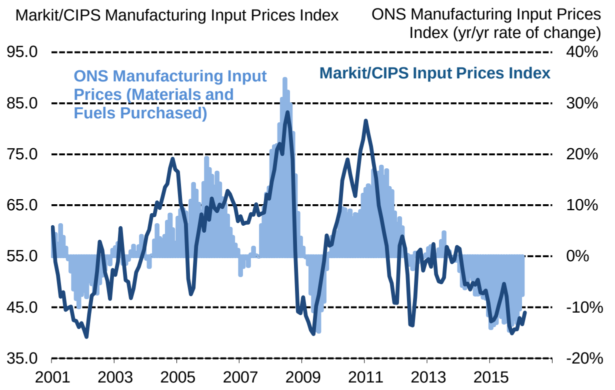
The level of new export business placed with UK manufacturers declined for the second straight month in February. Companies reported weaker order inflows from Brazil, mainland Europe, Russia and the USA (Please note that the survey collection window ran from 12-24 February, meaning that the vast majority of responses were received before the sharp falls in the sterling exchange rate at the start of week beginning 22nd February).

Manufacturing employment fell for the second successive month in February, although the rate of reduction was only mild. Job cuts were registered in both the consumer and investment goods categories. Intermediate goods producers reported a negligible increase in headcounts.

Price pressures remained on the downside during February, as both input costs and output charges fell further. The rate of purchase price deflation eased to a seven-month low, but remained strong by the historical standards of the survey.

Companies reported lower costs for commodities (especially oil). There were also mentions of competition between suppliers driving down input prices.

Manufacturers passed on part of the decrease in costs to their clients, leading to a reduction in factory gate prices for the sixth straight month. However, the rate of decline was slower than in January.



Comment:

Rob Dobson, Senior Economist at survey compilers Markit:

“The near-stagnation of manufacturing highlights the ongoing fragility of the economic recovery at the start of the year and provides further cover for the Bank of England’s increasingly dovish stance.

“The breadth of the slowdown is especially worrisome. The domestic market is showing signs of weakening while export business continued to fall. Price pressures also remained firmly on the downside, with the survey signalling input costs falling at a double-digit annual pace and average factory gate selling prices showing a further decline. A lot of this is driven by the ongoing weakness of global commodity prices. However, there are also signs that weaker growth is driving up competition between manufacturers to secure new business and among their suppliers too.

“While these factors will help keep a lid on inflationary pressures, it is worth noting that the recent sharp drop in sterling came late in the survey collection window and so is not yet fully reflected in the results. Although sterling’s drop will hopefully boost exports, the likely increase in import costs in coming months will be unwelcome to manufacturers, especially given the imminent introduction of the new National Living Wage.”

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

“A distinct lack of progress has revealed a disappointing slowdown amongst manufacturers in February, with the weakest overall performance for nearly three years. Nevertheless, the overall index still remained in positive territory – but only just.

"The trend in staffing levels also registered a downward trajectory, with some job losses thrown in, and only the intermediate goods sub-sector showing signs of employing more staff. Intermediate goods was also the only bright spot in terms of new orders and showed a less marked slowdown in output growth than the other sectors.

“Manufacturers reduced their input stocks for the fourth month in a row in anticipation of a slowing growth rate and poor demand. Despite a cut in purchasing, suppliers’ delivery times lengthened for the thirty-third month running.

“Demand from the domestic market was weak and there was little hope to be gleaned from export orders which were in a similar downbeat mood. It appears the global slowdown is continuing to challenge markets and though it may be too soon to envisage another financial downturn, the possibility will have crossed the minds of key decision-makers.”

The March 2016 *Report on Manufacturing* will be published on:

Friday April 1st 2016 at 08:30 (UTC)

-Ends-

Contact Information:

For economics comments, data and technical queries, please call:

Markit Press Office
Joanna Vickers, Corporate Communications
Telephone +44 207 260 2234
Email: joanna.vickers@markit.com

For industry comments, please call:

CIPS
Trudy Salandiak
Tel: +44 1780 761576
Email: trudy.salandiak@cips.org

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 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 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
Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ approximately 4,000 people in 11 countries. Markit shares are listed on Nasdaq under the symbol MRKT. For more information, please see www.markit.com.

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/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 118,000 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