

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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Markit/CIPS UK Manufacturing PMI®

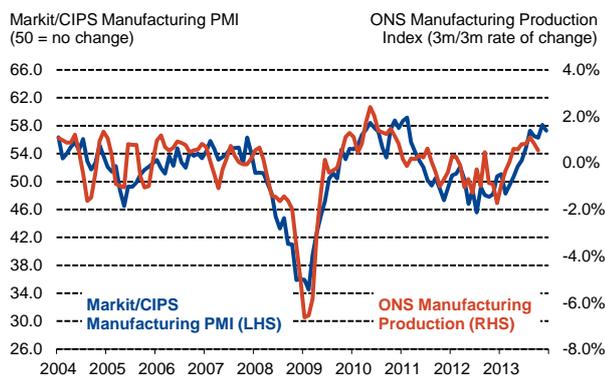
Manufacturing recovery remains on track at end of 2013

Data collected 5-18 December 2013

Key points:

- Manufacturing PMI at 57.3 in December
- Output and new order growth remains robust
- Input cost and output price inflation both accelerate

Historical Overview:



Summary:

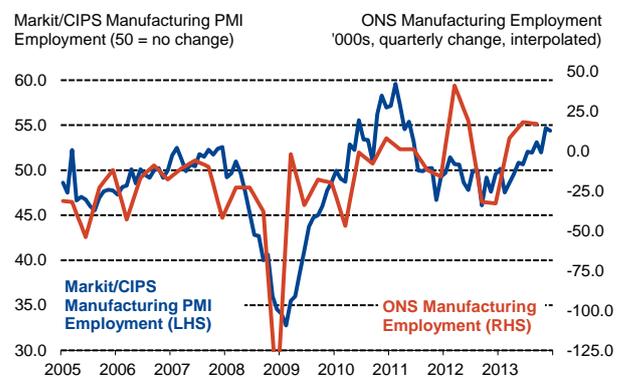
The UK manufacturing sector ended 2013 on a positive footing. December saw rates of expansion in production and new orders both remain among the highest in the 22-year survey history, leading to a pace of job creation close to November's two-and-a-half year record. Companies benefited from strengthening domestic market conditions and a solid bounce in incoming new export orders.

The seasonally adjusted Markit/CIPS *Purchasing Manager's Index*® (*PMI*®) posted 57.3 in December, down slightly from November's 33-month high of 58.1, but still a level indicative of a robust improvement in overall operating conditions. Moreover, the average PMI reading for the final quarter as a whole (57.2) was the highest since Q1 2011.

Manufacturing output rose for the ninth successive month in December, underpinned by rising levels of incoming new work and efforts to clear backlogs of work. Meeting the needs of current and existing contracts also led to a further solid reduction in post-production inventories. Subsequently, the stocks of finished goods to new orders ratio posted one of its highest readings in the survey history to date (albeit below November's series record).

The level of new export business increased for the ninth consecutive month in December. However, the rate of growth eased to the weakest since September. UK manufacturers reported improved demand from Brazil, China, Ireland, Russia and the USA.

December data signalled an eighth successive monthly increase in manufacturing employment. The rate of jobs growth was the second-strongest in the past two-and-a-half years, down only slightly from that registered in November. Higher employment reflected the increases in production and new orders.



On the price front, average input costs and output charges both rose at faster rates in December. Purchase price inflation accelerated to a 28-month high, pushed up by the increased costs of

commodities, energy, meat, paper, packaging, polymers and timber. There were also some reports that suppliers were raising their prices in response to increased raw material demand and shortages of certain inputs. Concurrently, average vendor lead times lengthened for the seventh month in a row.

Output charges rose at the fastest clip since September 2011. Where an increase in factory gate prices was recorded, this was linked to escalating raw material costs. There were also reports of charges being raised in response to improved demand.

Comment:

Rob Dobson, Senior Economist at survey compilers Markit:

“UK manufacturing’s strong upsurge continued at the end of 2013, with rates of growth in production and new orders still among the highest in the 22-year PMI survey history. On its current track, the sector should achieve output growth of over 1% in the final quarter while filling around 10-15 thousand jobs, continuing its positive contributions to both the broader economic and labour market recoveries.

“The domestic market remains resurgent and is a major factor driving production and new order inflows higher. UK exporters are also finding pockets of strength, with sales of capital and intermediate goods rising solidly to destinations such as Brazil, China, Ireland, Russia and the USA.

“With the manufacturing sector still some 9% off its pre-crisis peak production, the question everyone wants answering is whether this upturn can develop into a self-sustaining recovery. The news is still good on this score, as growth is coming from a broad base that should help keep the rebound on track during the early stages of 2014.

“Output and new orders are rising across all manufacturing sub-sectors and also at SMEs and large-scale producers. The strong performance of intermediate goods manufacturers suggests that firms are refilling their warehouses, while robust growth at consumer and capital goods producers indicates that household and investment spending are also still playing a key role.”

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

“UK manufacturing ended 2013 on a high and with all signs of powering ahead into 2014. The rate of production and new order growth remained well above the long-run survey average, rounding off the best overall quarterly performance for the PMI since Q1 2011. The sector’s broad based expansion was underpinned by strong domestic demand and improved export orders, all of which are signs of an underlying trend of continuing growth going into the New Year.

“Higher demand and new orders in December resulted in increased levels of employment in the manufacturing sector for the eighth consecutive month. Purchases of new materials also rose solidly reflecting the ongoing increases in production requirements. Concurrently this is putting a distinct pressure on suppliers and on delivery times.

“The only area of concern is the cost inflationary pressure which continued to build up during this final month, with input price inflation hitting a 28-month high.”

The January 2014 Report on Manufacturing will be published on:

Monday 3rd February 2014 at 09:30

-Ends-

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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 geographically and by Standard Industrial Classification (SIC) group, based on the regional, and industry contribution 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

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About PMI

Purchasing Managers' Index[®] (PMI[®]) surveys are now available for 32 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 Purchasing & 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 100,000 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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