

## News Release

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:30 (UK), 1<sup>st</sup> August 2014**

### Markit/CIPS UK Manufacturing PMI®

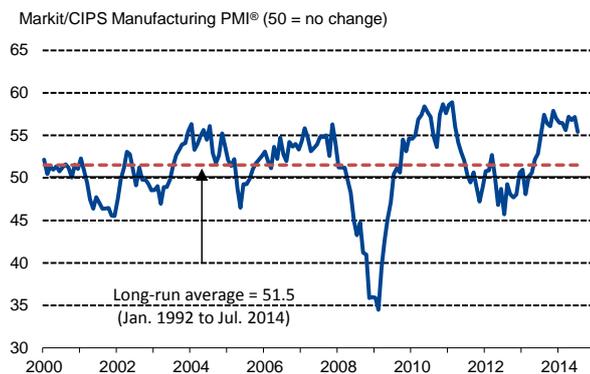
#### Strong manufacturing growth continues in July

Data collected 11-28 July 2014

**Key points:**

- Manufacturing PMI at 55.4 in July
- Output and new order growth slow but remain above long-run trends
- Payroll numbers raised further

**Historical Overview:**

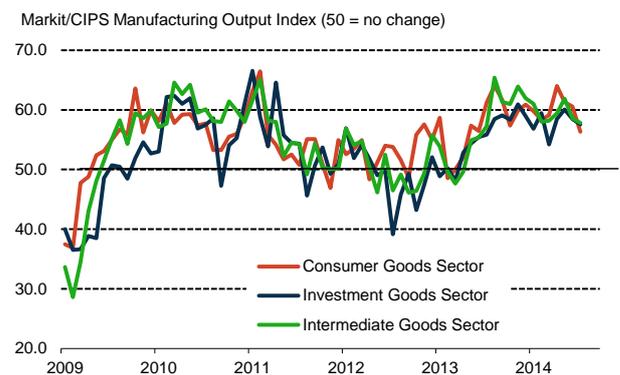
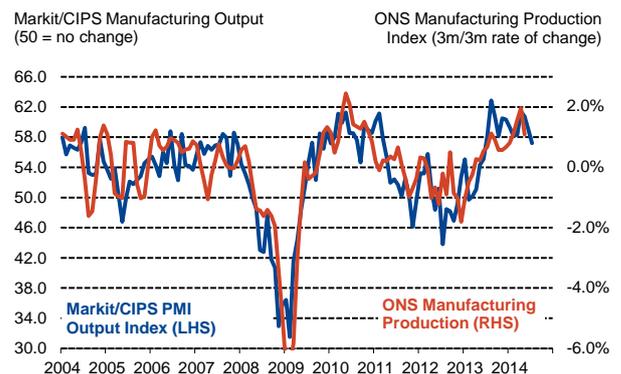


**Summary:**

The UK manufacturing sector started the third quarter on a firm footing. Production and new orders both continued to rise at robust, above long-run average rates in July, encouraging further job creation. However, the pace of expansion at manufacturers cooled from the stellar growth spurt seen during the first half of the year.

At 55.4 in July, down from 57.2 in June, the headline seasonally adjusted Markit/CIPS Purchasing Manager's Index® (PMI®) posted its lowest reading in one year, but nonetheless remained well above the survey average of 51.5. The PMI has now signalled an improvement in operating conditions throughout the past 17 months.

Manufacturing production rose again in July, with substantial rates of expansion being maintained across the consumer, intermediate and investment goods sectors. However, with growth also easing in each of these product categories, the overall pace of expansion slipped to its lowest in just over one year.



The sustained growth in output volumes was again underpinned by a marked uptick in levels of incoming new orders during July. Companies linked increased inflows of new work to the launch of new product lines, price promotions, stronger economic sentiment and rising demand from both domestic and overseas clients. However, in line with the trend seen in output, rates of increase in both total

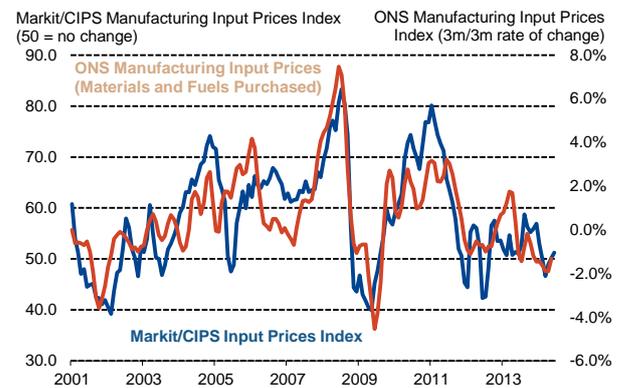
new orders and new export business were slower than in June.

Job creation was recorded for the fifteenth successive month in July, with broad-based gains in payroll numbers seen in the consumer, intermediate and investment goods sector and also at SMEs and large-scale producers. However, the rate of increase in staffing levels slipped to a nine-month low.

Average output charges and input costs both continued to rise during July. Selling prices increased for the thirteenth successive month, reflecting improved inflows of new work and the pass-through of higher input costs – which rose for the third month running.

Increased purchase prices were linked to higher

costs for metals, plastics and timber. There were also some reports of suppliers raising their prices. This was partly the result of bottlenecks at vendors, as highlighted by the steepest lengthening of supplier lead times for over three years.



#### Comment:

##### **Rob Dobson, Senior Economist at survey compilers Markit:**

*“The UK manufacturing sector started the third quarter on a firm footing. Although cooling in July, growth rates for production and new orders remain well above their long-run trends, supporting continued solid job creation in the sector.*

*“The Bank of England will also not be overly worried by the weaker numbers. Policymakers were expecting growth to slow slightly from the impressive rate seen in the first half of the year, in part due to expectations of higher borrowing costs next year. Importantly, the rate of growth remains historically very strong to help contribute to yet another robust expansion of the economy in the third quarter.*

*“The concern is that the slowdown we are seeing is also a symptom of increased economic uncertainty both at home and in key export markets of Europe, in turn fuelled by worries about the Ukraine crisis. If the situation with Russia deteriorates further, we should expect goods exports to come under further pressure.*

*“It remains too early to gauge the impact of the Ukraine crisis, but the worry is that the combined effects of expected policy tightening, heightened economic uncertainty and sluggish trade could mean manufacturing growth could suddenly weaken more than expected. Policymakers will therefore be hoping to see service sector PMI numbers offsetting any export-led weakness in manufacturing.”*

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

*“Manufacturing delivered a less remarkable batch of results at the beginning of Q3 in an otherwise vintage year. Export orders, output and employment have continued their upward charge, but the sector has lost some fizz, as all three return to more pedestrian rates of growth this quarter. Nevertheless, it’s a mark of how far manufacturers have come that the lowest PMI in a year is still well over the long run survey average.*

*“Growing demand from developing economies in the Middle East, Africa and Asia have propelled exports to the sixteenth consecutive month of growth, whilst promotions and the launch of new products helped to buoy domestic demand.*

*“Suppliers have arrived at an important crossroads as they consider how to adapt to the lowest growth in purchasing activity for 14 months. With supplier delivery times growing faster than at any time in the past three years, any further obstruction to supply chains could constrain growth even further in Q4.”*

#### **The August 2014 Report on Manufacturing will be published on:**

**Monday 1st September 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<sup>®</sup>.

The 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 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<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. 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.

### 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 over 3,000 people in 10 countries. Markit shares are listed on NASDAQ under the symbol "MRKT". For more information, please see [www.markit.com](http://www.markit.com).

### About PMI

*Purchasing Managers' Index*<sup>®</sup> (PMI<sup>®</sup>) 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](http://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](http://www.cips.org)

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