

UK manufacturing

PMI and CBI surveys compared

The CBI survey of UK manufacturing showed a surprise upturn in its measurement of order books, with the net balance rising from -3% in May to zero in June.

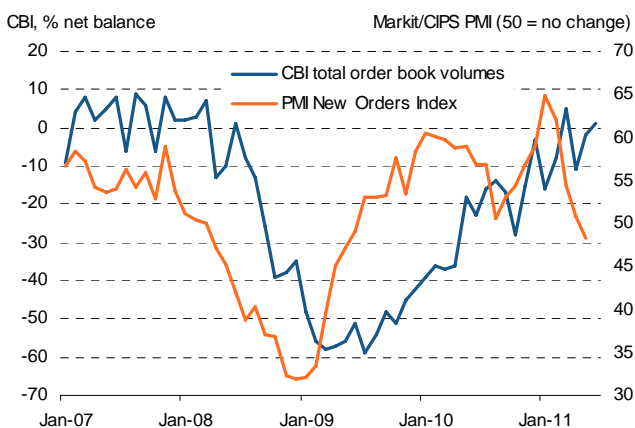
Firms' expectations about their output in three months' time meanwhile fell for the third month running, however, hitting a six-month low.

Even with the fall in the output expectations series, the CBI survey has been consistently more upbeat than the Markit/CIPS PMI™ survey since March, and the recent downturn in the latter suggests that the CBI data will deteriorate further in coming months. This is based on historical comparisons of the two surveys, which show that the PMI tends to move in advance of the CBI survey.

Manufacturing order books

The PMI survey's New Orders Index fell to a 23-month low in May, signalling a modest drop in inflows of new orders for the first time since the recovery began in July 2009. Charts showing both the short- and long-run history of the two surveys highlight that the PMI tends to lead the CBI survey by at least three months. For example, the PMI series signalled a bottoming-out of the recession in December 2008, three months before the CBI series hit a nadir. The highest correlation between the two series since 1992 is in fact achieved with the PMI leading by five months.

Order books

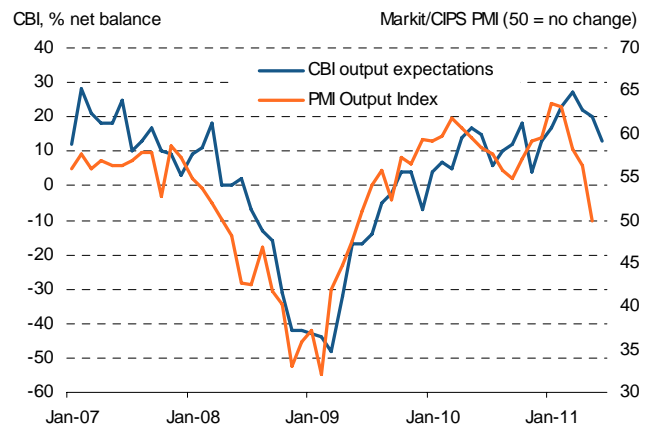


Sources: Markit, CBI, Ecwin.

Manufacturing output

Historical comparisons of the output measures from the two surveys also show that the PMI tends to move in advance of the CBI series. By May of this year, the PMI's Output Index had turned down for four consecutive months compared to just two months for the CBI survey.

Output



Sources: Markit, CBI, Ecwin.

Differences in survey methodology

There are several valid reasons that explain the more timely signals provided by the PMI relative to the CBI:

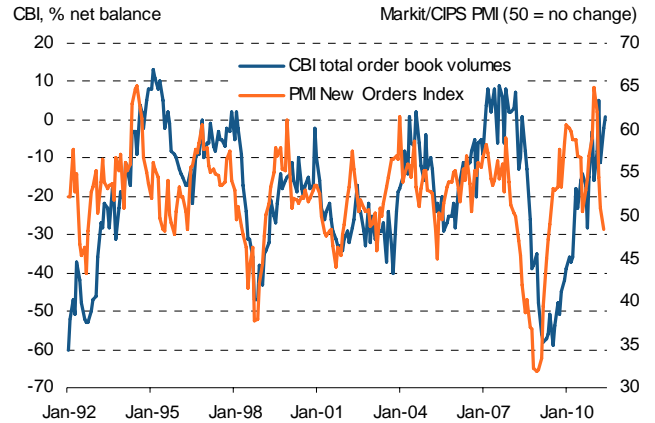
- The CBI collects data earlier in the month than Markit collects PMI data. The CBI data collection period for the June survey was from 26 May to 15 June. The PMI data collection period for June, in contrast, is from 13 June to 27 June. The PMI survey therefore relates more to the whole month of June than the CBI survey, for which some questionnaires may have even been received in May.
- The PMI survey collects data relating to the flow of variables such as orders and output, rather than measuring the level. Flows of business will tend to move in advance of levels. For example, a company's order book level may remain unchanged for some time not because the rate of change of new orders has changed, but because of disruptions to production. This company would have reported no

change in its level of order books when responding to the CBI survey but would have reported a deterioration when completing the PMI questionnaire.

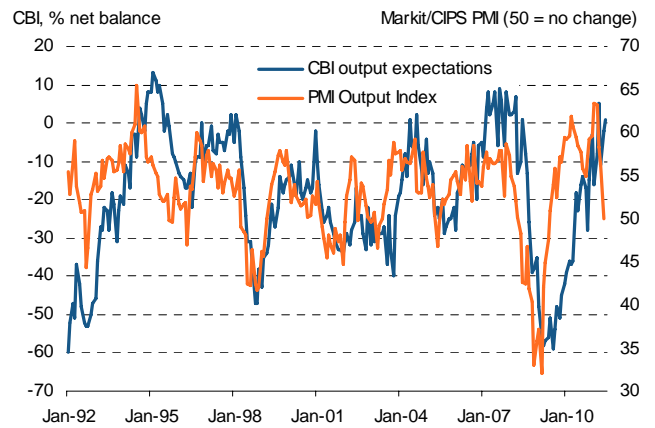
Further information

Markit's [commentary notes](#) and [press releases](#) can be accessed online, as can a diary of [forthcoming Markit release dates](#).

Order books long-run history



Output long-run history



Sources: Markit, CBI, Ecwin.

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