THE CHARTERED INSTITUTE OF PURCHASING & SUPPLY®

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News Release

MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0930 (UK), 1 March 2011

Markit/CIPS UK Manufacturing PMI™

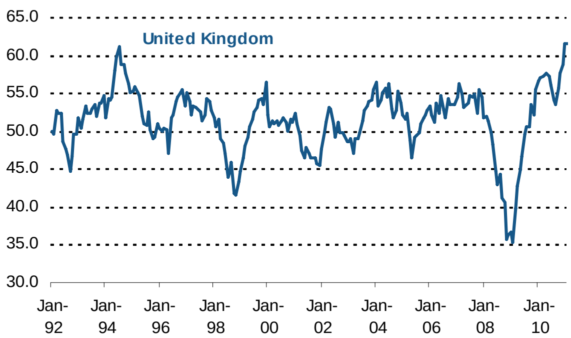
UK manufacturing maintained strong start to 2011 resulting in further survey record job creation

Key points:

- UK Manufacturing PMI held steady at January's survey peak.
- Growth of employment hit a new series record high rate.
- Output prices rose at second-fastest pace in survey history.

Historical Overview:

Markit/CIPS Manufacturing PMI (50 = no change)



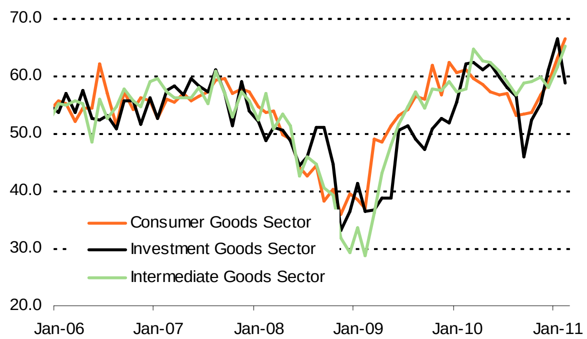
Summary:

The UK manufacturing sector continued its strong start to the year in February. Rates of growth in output and new orders were only slightly less marked than January's sixteen-and-a-half year peaks, leading to a further series record increase in employment. Manufacturers also benefited from stronger inflows of new export business. Cost inflationary pressures continued to build, however, as input prices rose at a near record high rate.

The seasonally adjusted Markit/CIPS UK Manufacturing PMI™ posted 61.5 in February, unchanged from January's series record high. The PMI has now remained above the neutral 50.0 mark for nineteen successive months.

Production rose at a strong pace in February, underpinned by a substantial increase of incoming new orders. Output growth hit survey record highs at consumer and intermediate goods producers. Although still solid, the rate of expansion in the capital goods sector eased sharply since January.

Markit/CIPS Manufacturing Output Index (50 = no change)

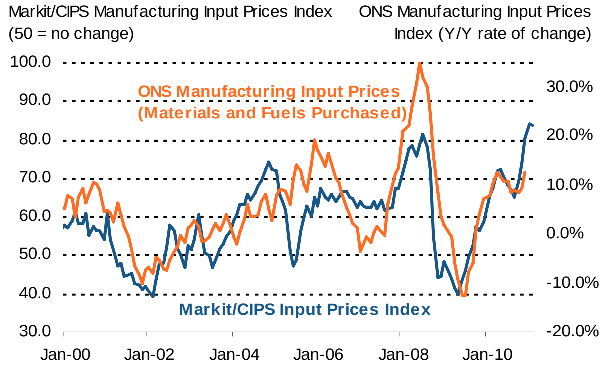


Stronger demand was seen from both domestic and export markets, reflecting improved market confidence, clients restocking and the launch of new product lines. New export orders rose for the fifth month running and at the third-fastest rate in the series history. Companies reported stronger inflows of new orders from the US, China, Germany and the Middle-East.

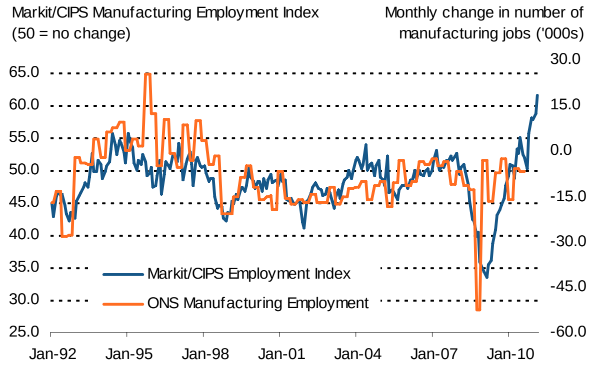
Jobs growth in the manufacturing sector accelerated to a new survey record high rate in February. Increased staffing levels reflected higher production and rising new order books. Job creation was at series record highs in both the consumer and intermediate goods sectors, and also accelerated at capital goods producers.

Inflationary pressures remained elevated in the manufacturing sector during February. Rates of increase in output prices and input costs were near to their respective record highs.

Companies reported that increased prices for cotton, energy, metals, oil, plastics and timber had led to a further substantial rise in average purchasing costs. The rate of increase was only slightly below January's peak. Meanwhile, output prices rose at the second-fastest rate in the survey history, as companies passed on part of the increase in raw material prices.



Manufacturers also linked input cost rises to increased global demand for a number of items and to ongoing supply-chain shortages. Purchasing activity rose markedly in February, with the extent of the increase only slightly less marked than January's sixteen-and-a-half year peak. A combination of higher demand and low vendor stock holdings led to further lengthening of suppliers' lead-times.



Comment:

Rob Dobson, Senior Economist at Markit and author of the Markit/CIPS Manufacturing PMI™:

"The UK manufacturing sector maintained its strong start to the year in February. The PMI held steady at a series record high, while growth of output, new orders and exports were all among the fastest since the survey began. A jobless recovery would be a weak recovery, so it is positive to see jobs growth hit a fresh record high. However, the strong performance of the sector, which makes up 13% of UK GDP compared to 52% for non-government services, can only partly offset the weaker parts of the economy such as services and construction.

"Consumer and intermediate goods producers saw survey record output growth. The main worry was a sharp slowdown in the capital goods sector, which may bode badly for the health of investment spending. The latest data also confirm that input cost and output price inflationary pressures remain elevated, which may raise a further eyebrow amongst the members of the Bank of England's Monetary Policy Committee."

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

"Strong growth in demand across the manufacturing sector continued to put breath in the sails of the UK economy in February. This was the case at home as well as overseas leading to record increases in output and in turn to more jobs being created. This is positive news given last week's surprise downward revision of official GDP numbers.

"The fly in the ointment remains macro-level inflation which is likely to go from bad to worse due to the unrest in Libya and escalating oil prices. Purchasing managers reported raw materials costs were continuing to rise at historically high levels during February, leading many to pass on higher purchasing costs to their clients.

"Textiles & Clothing and Chemicals & Plastics felt the most severe impact of higher input costs during February; and one of the challenges for the forthcoming Budget will be finding ways of supporting these relatively high performing industries through a period of uncertainty.

"So, in all, good news is out there for some but there's still a difficult path for others."

The March *Report on Manufacturing* will be published on Friday 1st April 2011 at 9.30am

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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
Markit is a leading, global financial information services company with over 1,900 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information please see www.markit.com.

About PMIs
Now available for 26 countries and key regions including the Eurozone and BRIC, Purchasing Managers' Indexes™ (PMIs™) have become 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 leading international body representing purchasing and supply management professionals. It is the world-wide centre of excellence on purchasing and supply management issues. CIPS has almost 60,000 members in 150 different countries, including senior business people, high-ranking civil servants and leading academics. The activities of purchasing and supply chain professionals can have a major impact on the profitability and efficiency of all types of organisation.