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News Release

MARKET SENSITIVE INFORMATION
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Markit/CIPS UK Manufacturing PMI™

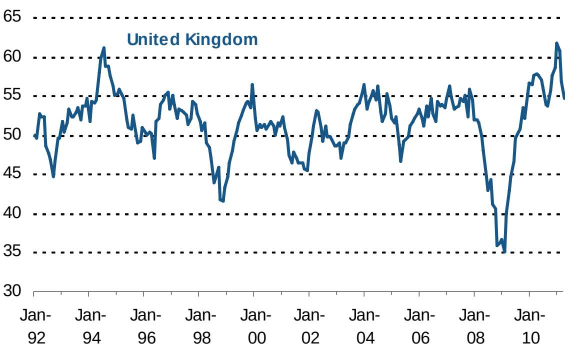
UK manufacturing expansion slowed further in April, as weaker domestic market subdued order book growth

Key points:

- UK manufacturing PMI eased to seven-month low of 54.6.
- Growth of total new orders slowed sharply, while exports increased at faster pace.
- Output price inflation remained close to March's series-record peak.

Historical Overview:

Markit/CIPS Manufacturing PMI (50 = no change)

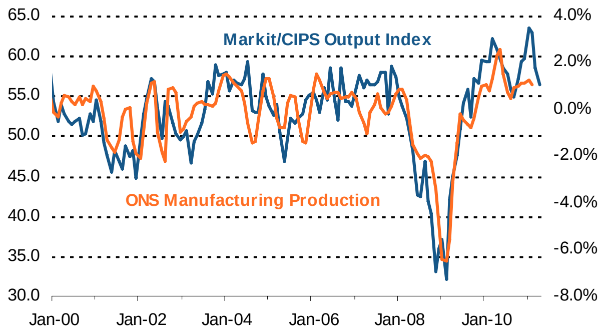


Summary:

The headline seasonally adjusted Markit/CIPS UK Manufacturing *Purchasing Managers' Index*™ (*PMI*™) fell to a seven-month low of 54.6 in April. This is down from a revised reading of 56.7 in March and well below January's survey-record high. The PMI has remained above the neutral mark of 50.0, which signals expansion, for twenty-one months.

UK manufacturers reported further expansions in both production and new orders in April. Growth of output remained above the long-run survey average, despite easing further from January's sixteen-and-a-half year high. The slowdown mainly reflected a marked easing in the rate of increase in total order books to a modest eight-month low.

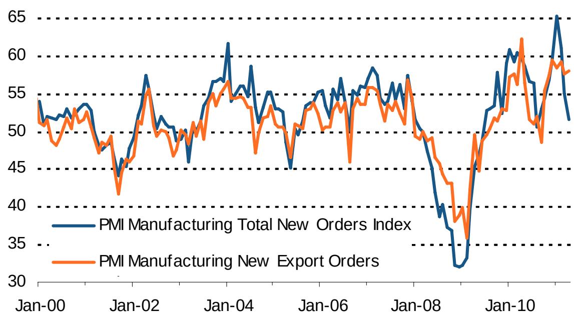
Markit/CIPS Manufacturing Output Index (50 = no change) ONS Manufacturing Production Index (3m/3m rate of change)



Weaker growth of new business was centred on the domestic market. Manufacturers reported subdued consumer confidence and lower orders from the construction sector. In contrast, growth of new export orders was substantial and gathered pace.

Higher export orders were linked to improved demand from the US, Europe, China, Russia, the Middle East and Turkey. There were reports that the ongoing global economic recovery, successful marketing activity and the historically weak sterling exchange rate had aided overseas sales efforts.

Markit/CIPS Manufacturing Orders Indices (50 = no change)



April data indicated that increased output had been partly sustained through a marked reduction in backlogs of work. Outstanding business fell to the greatest extent since last August.

Manufacturing employment increased for the thirteenth consecutive month. Jobs growth eased further from January's survey-record high to its weakest since last September, but remained well above the long-run average.

April saw a further marked increase in average factory gate prices, with the rate of inflation only slightly below March's series-record high. The principal factor driving up selling prices remained increased input costs.

Average purchase prices rose for the twentieth consecutive month in April, reflecting increased costs for chemicals, food products, metals, oil, packaging and timber. Although the rate of inflation remained among the highest in the survey history, it eased sharply to a five-month low.

Shortages of certain inputs also contributed to price rises in April, as highlighted by a marked lengthening in vendor lead times. Increased delivery times were also linked to low stock holdings at suppliers and disruption resulting from the Japan earthquake.

Stocks of purchases declined for the first time in four months in April. Firms indicated that inventories had been reduced due to slower new order growth, rising output needs and vendor delivery delays.

Comment:

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

"The manufacturing growth spurt looks to be fading rapidly. Although output growth was still expanding at an above long-term average clip, and solid job creation continued, the sector cooled further in April from the near record pace of expansion seen at the turn of the year. The outlook has deteriorated sharply, with new orders growth having collapsed from a booming pace at the start of the year to only register a weak influx of new business in April. Manufacturers reported that the domestic market has weakened considerably in recent months, with consumer demand in particular shifting into reverse gear. The sector appears to now be completely reliant on export orders to sustain growth.

"On the prices front, there was welcome news from a further easing in the rate of increase in input costs from January's record peak. This adds weight to the Bank of England's view that inflationary pressures are transitory and suggests that policymakers will continue to hold fire on the interest rate trigger."

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

"The outlook for UK manufacturing is definitely bleaker than it was at the start of the year. The sector was racing ahead just a few months ago but there are now clear signs that it is running out of steam. Whilst the sector is still growing at a relatively healthy rate it is now so reliant on exports for growth that we have to be concerned about how sustainable this is.

"The marked slowdown in new orders in April will definitely send a shiver down the spine of many. Much of the output growth came from manufacturers clearing the backlog of existing orders which is the equivalent of a consumer dipping into their savings to maintain their existing spending levels. The problem with this is that, just like savings, backlogs of orders will soon run out if they are not topped up. The falling level of backlogs for the third consecutive month at the same time as new orders slowing really is a worrying sign.

"What we are clearly seeing is a tale of two markets at the moment. Export orders continue to grow at a very healthy rate but domestic demand is suffering as a result of falling consumer confidence and spending. There are some UK manufacturers that are growing very strongly but it tends to be those with a strong export focus and that can truly compete on a global scale. It's clear that manufacturing businesses cannot rely on domestic demand to drive business in the next few months.

"Input price inflation eased again in April which will have relieved some of the pressure on purchasing managers. However, there was a sharp lengthening in supplier delivery times as a consequence of the knock-on effect from the Japanese earthquake and tsunami."

The May *Report on Manufacturing* will be published on Wednesday 1st June 2011 at 9.30am

-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
Markit is a leading, global financial information services company with over 2,000 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.