IHS Markit / CIPS UK Manufacturing PMI®

UK manufacturing sees input costs and selling prices rise at record rates in June

Key findings

UK Manufacturing PMI at 63.9 in June

Supply-chain stresses lead to record price increases

Robust growth of output, new orders and employment continues

Manufacturing remained in a strong growth phase in June, with rates of expansion in output, new orders and employment among the best seen during the near 30-year survey history. Industry was still beset by supply-chain and distribution difficulties, however, leading to longer vendor lead times and disruption to production schedules.

The seasonally adjusted IHS Markit/CIPS Purchasing Managers’ Index® (PMI®) dipped slightly to 63.9 in June, down from May’s record high of 65.6. The PMI has signalled an improvement for 13 successive months.

Manufacturing production increased at marked rates across the consumer, intermediate and investment goods industries during June. Growth was supported by strong intakes of new business, which rose at a rate close to May’s record high.

Improved demand was linked to the ongoing easing of COVID-19 restrictions, re-opening of the economy from lockdown and improving global market conditions. New export orders increased again, reflecting inflows of new work from mainland Europe, the US and Asia.

The building up of buffer stocks meant that raw material inventories rose at the quickest pace during the year-so-far and to one of the greatest extents in the survey history. Stocks of finished goods declined sharply as manufacturers settled sales from inventories due to the disruption to production schedules caused by supply-chain delays.

Employment rose at a rate close to May’s record high during June. Jobs growth reflected capacity issues – highlighted by near-record accumulation of work backlogs – and optimism among manufacturers. Almost 63% of companies expect production to rise over the coming year, reflecting reduced uncertainty regarding COVID-19 and Brexit and improving global market conditions.

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Commenting on the latest survey results, Rob Dobson, Director at IHS Markit, said:

“UK manufacturing maintained a near survey-record pace of expansion at the end of the second quarter, as the re-opening of economies at home and overseas supported increased production, new orders and employment. Solid business confidence and rising backlogs of work also suggest that the current upturn has further to run.

“The sector is still beset by rising cost inflationary pressures, however, as Brexit-related trade issues exacerbated global supply chain delays. The resulting widespread raw material shortages drove purchase prices up to the greatest extent on record, leading to an unprecedented steep rise in selling prices. There are also widespread reports of supply issues causing disruptions to production schedules and impeding the re-building of buffer stocks.

“The continued inflationary impact of capacity issues at both manufacturers and their suppliers will be a further factor keeping headline inflation above the Bank of England’s 2% target in coming months.”

Duncan Brock, Group Director at the Chartered Institute of Procurement & Supply:

“As global markets opened up still further in June, the manufacturing sector continued to enjoy a swell of new orders from home and abroad with work coming in from Asia, the US and Europe. Overall productivity however, showed some signs of slowing compared to the previous month as snarled supply chains were in danger of seizing up and operating capacity tightened.

“Supply chain managers worked around the clock to source ever-dwindling resources of raw materials, and building stock, resulting in supplier delivery times worsening again. The glut of purchases served only to exacerbate the shortages in transport and staff along with materials such as food and timber.

“Even a solid six-month run of job creation was not enough to build the capacity needed to meet demand as businesses resorted to temporary and less skilled labour to try and keep up. This is also driving up operating costs at the fastest rate in 30 years, with prices to customers rising at the highest rate since at least 1999. It’s anyone’s bet whether these cost burdens will continue past the summer but with optimism still high, manufacturers are powering through even with ongoing problems such as Brexit costs and challenges in trade as a better situation than they were in last year.”
Survey methodology
The IHS Markit / CIPS UK Manufacturing PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 650 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of ‘higher’ responses and half the percentage of ‘unchanged’ responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers’ Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers’ Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers’ Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Survey dates and history
Data were collected 11-25 June 2021.
Data were first collected January 1992.

Flash vs. final data
Flash data were calculated from approximately 85% of final responses. Since January 2006 the average difference between final and flash Manufacturing PMI values is 0.1 (0.3 in absolute terms).

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