# News Release

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# IHS MARKIT / CIPS UK MANUFACTURING PMI®

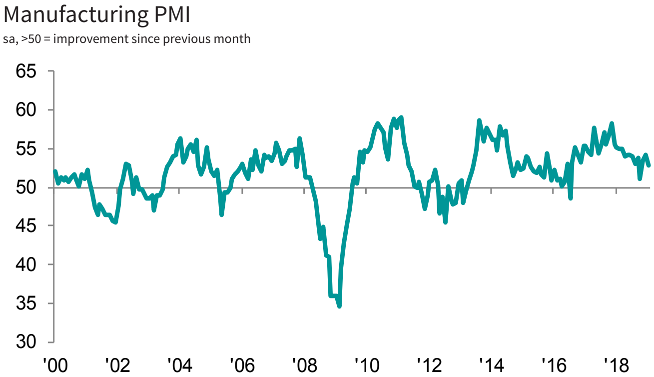
## Series-record stockpiling of inputs at UK manufacturers as Brexit preparations continue

### KEY FINDINGS

UK Manufacturing PMI at 52.8 in January (3-month low)

Stocks of purchases rise at survey-record rate

Employment falls for only the second time in past 30 months




The manufacturing sector made a lacklustre start to 2019, as trends in output and new orders slowed and employment fell for only the second time in the past two-and-a-half years. Companies reported that Brexit preparations led to sharp rises in both purchasing activity and stockpiling of inputs at warehouses.

The headline seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index® (PMI®) – which provides a single-figure tracker of the performance of the sector – fell to a three-month low of 52.8, down from 54.2 in December and its second-weakest reading since July 2016 (the first survey month following the EU referendum result).

The trend in production volumes was the weakest registered during the past two-and-a-half years. Although output rose solidly at consumer goods producers, this was largely offset by weaker expansion in the intermediate goods sector and the first decline in investment goods output since July 2016.

With January also seeing a marked slowdown in the rate of expansion in new order inflows, companies reporting an increase in output mainly linked this to stock-building activity. Inventories of finished goods rose at the third-fastest rate in the survey history, bested only by those seen in May and December of 2018.

Regarding the trend in demand, the rate of increase in new work from domestic sources eased and growth of new export business slumped to near-stagnation. Where growth of new orders was reported this often reflected clients purchasing to build up stocks in advance of Brexit. The slight increase in foreign demand was linked to higher inflows of new work from the USA, Europe, Brazil and Canada.

Sector data signalled that new business inflows decreased in both the intermediate and investment goods industries. In contrast, consumer goods producers continued to see solid growth in total new work received.

Brexit preparations were also a major contributing factor underlying the trends in input buying activity and stocks of purchases. Inventory holdings increased at the fastest pace in the 27-year survey history, as purchasing volumes expanded to the greatest extent since November 2017.

Higher demand for raw materials, along with input shortages and supplier capacity issues, led to a further marked lengthening in average vendor lead times during January. Inflation of input prices eased to a 32-month low, despite higher raw material costs, suppliers raising their prices and the exchange rate. Average selling prices also increased at a slower pace.

The outlook for the UK manufacturing sector remained positive in January, with almost 46% of companies reporting they expect output to be higher one year from now. However, Brexit uncertainty, the exchange rate and signs of a European economic slowdown all weighed on sentiment. The overall degree of positive sentiment dipped to a 30-month low.

## COMMENT

Rob Dobson, Director at IHS Markit, which compiles the survey:

*“The start of 2019 saw UK manufacturers continue their preparations for Brexit. Stocks of inputs increased at the sharpest pace in the 27-year history, as buying activity was stepped up to mitigate against potential supply-chain disruptions in coming months. There were also signs that inventories of finished goods were being bolstered to ensure warehouses are well stocked to meet ongoing contractual obligations.*

*“Despite the temporary boost provided by clients’ pre-purchases and efforts to build-up stocks, the underlying trends in output and new orders remained lacklustre at best. Growth of new order inflows slowed sharply, and new export orders were near-stagnant, contributing to the weakest trend in output since the month following the EU referendum (July 2016). Based on its historical relationship against official data, the January survey is consistent with a further solid contraction of production volumes, meaning manufacturing will likely act as a drag on the economy in the first quarter.*

*“January also saw manufacturing jobs being cut for only the second time since mid-2016 as confidence about the outlook slipped to a 30-month low, often reflecting ongoing concerns about Brexit and signs of a European economic slowdown. With neither of these headwinds likely to abate in the near-term, there is a clear risk of manufacturing sliding into recession.”*

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

*“Brexit blight strikes again with the weakest performance in manufacturing production since July 2016 and optimism withers away under the weight of uncertainty as the UK teeters on the edge of departure from the EU.*

*“Businesses did their best to develop forward purchasing programmes to avoid potentially disappointing clients and in case of a bad Brexit outcome with some of the sharpest rises in raw materials and finished goods stockpiling since the survey started in January 1992. Supply chains were closer to breaking point with stretched capacity and delivery times lengthening again for the 33rd month. This begs the question of how much longer suppliers can deliver and businesses can retain stocks for every eventuality.*

*“After months of maintained job creation, job seekers will be disappointed by the drop in new roles as businesses fought hard to control costs and improve efficiency. Without a strong upturn in new orders and underlying growth there may be further hesitation to hire next month and with a general slowdown in the global economy and the Eurozone, we’re likely to continue to see significant challenges ahead.”*

## CONTACT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### 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 600 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.

January 2019 data were collected 11-28 January 2019.

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

### About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 40 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 ihsmarkit.com/products/pmi.html.

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