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## IHS MARKIT / CIPS UK MANUFACTURING PMI®

### UK manufacturing upturn continues in October despite further loss of growth momentum

#### KEY FINDINGS

UK Manufacturing PMI at 53.7 in October (Flash: 53.3)

Output and new order growth slows and job losses mount

Business optimism at highest level since January 2018

The recovery in the UK manufacturing sector continued at the start of the final quarter, as output and new orders rose again supported by improved demand from both domestic and overseas sources. That said, the upturn showed further signs of losing impetus, as the initial boost to growth from the economy reopening faded and job losses accelerated.

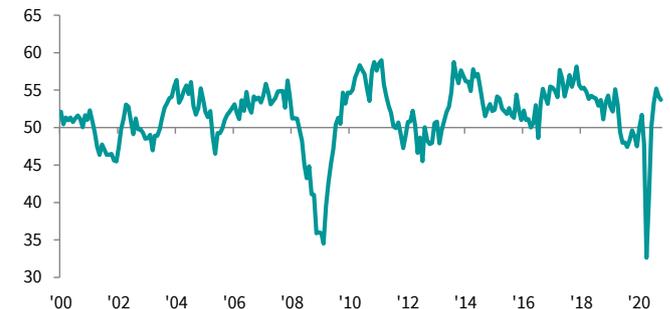
Survey data were collected 12-27 October.

The seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index® (PMI®) fell to 53.7 in October, down from 54.1 in September but above the earlier flash estimate of 53.3. The PMI has remained at an above-50.0 level, signalling expansion, for five months running.

Manufacturing output rose at an above survey-average rate in October, despite growth easing to a four-month low. The latest expansion reflected improved intakes of new work and companies catching up on orders delayed during lockdown. The trend in new export business meanwhile strengthened, reflecting increased demand from China and the US and a temporary boost from Brexit stock building by clients in Europe.

Sector data highlighted a growing disparity between the performances of the main product categories covered by the survey. The intermediate and investment goods industries both saw marked expansions of production and new order volumes in October. In contrast, the consumer goods sector slipped back into contraction, with output and new business falling for the first time since the onset of their respective recoveries.

Manufacturing PMI  
sa, >50 = improvement since previous month



Source: IHS Markit / CIPS.

Manufacturing employment declined for the ninth successive month in October. Furthermore, the rate of job losses accelerated and was marked. Companies linked lower staffing to redundancies, recruitment freezes, the non-replacement of leavers, cost reduction strategies and workforce restructuring.

The steepest rate of job cutting was in the consumer goods industry during October. Losses were also signalled at investment goods producers, whereas headcounts rose in the intermediate goods category. Signs of surplus capacity across manufacturing as a whole remained, however, as highlighted by a further solid drop in levels of work-in-hand at factories.

The rate of increase in input prices accelerated to its highest since December 2018, reflecting higher raw material costs, input shortages and suppliers raising prices. Part of the increase was passed on to clients in the form of higher output charges.

Manufacturers maintained a positive outlook in October. Over 60% of companies expect output to rise over the coming year, compared to only 10% forecasting a decline. Positive sentiment reflected hopes of economic recovery and a reduction in COVID-19 disruption. However, some firms also raised concerns about the potential impact of both the ongoing pandemic and Brexit uncertainty.

## COMMENT

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

*“October saw the UK manufacturing recovery continue, albeit with the upturn losing momentum amid ongoing lockdown measures and signs that growth could weaken further in coming months after Brexit-related stockpiling.*

*“The main drag was a fall back into contraction for the consumer goods industry, blamed in part on lockdowns and falling demand as virus worries intensified among households.*

*“There was positive news on the export front, with new orders from overseas rising to the greatest extent in over two-and-a-half years. However, a significant contribution to the improvement in exports came from a temporary boost of Brexit stock building by EU clients, which was evident in one-in-four companies that reported higher exports.*

*“The outlook for the remainder of the year has therefore become increasingly uncertain, with risks tilted to the downside. While most companies maintain a positive outlook, with three-fifths of manufacturers expecting output to rise over the coming year, concerns about near-term risks posed by the pandemic, changes to COVID restrictions and related stimulus measures, plus Brexit anxieties, continue to fog the future.”*

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

*“Though recovery decelerated a little this month, growth in the manufacturing sector remained at a steady pace with new orders rising for the fourth month in a row from domestic and also increasingly export markets. UK and European businesses were stocking up before the Brexit deadline, and as supply chains opened up further, more orders were received from countries like China.*

*“However pressures persisted for manufacturers with delivery times from suppliers lengthening to their greatest extent since June. Though capacity increased where staff returned to work, the rush to complete backlogs of covid-affected work resulted in difficulties in other tiers of the supply chain. Costs rose at the fastest rate since December 2018 as competition intensified for raw materials in short supply.*

*“The higher cost of doing business was not the only cause for alarm this month as the outlook for jobs remained painfully weak. More redundancies and restructures reduced headcounts for the ninth month in a row especially at consumer-facing businesses. As shoppers continue to press pause on spending, firms will be unable to conjure up the business they need to maintain operations leading to a fretful end to the year.”*

## 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.

October 2020 final Manufacturing PMI data were collected 12-27 October 2020.

The final United Kingdom Manufacturing PMI follows on from the flash estimate which is released around a week earlier and is typically based on approximately 85%-90% of total PMI survey responses each month. The October 2020 flash was based on 90% of the replies used in the final data.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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.  
[ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html)

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