

Embargoed until 0930 GMT (0930 UTC) 2 March 2020

IHS MARKIT / CIPS UK MANUFACTURING PMI®

UK manufacturing expands at fastest pace since April 2019, but supply-chain disruptions grow

KEY FINDINGS

UK Manufacturing PMI at 51.7 in February (Flash: 51.9)

Output rises at fastest pace since April 2019

Vendor lead times lengthen as supply-chain disruption rises

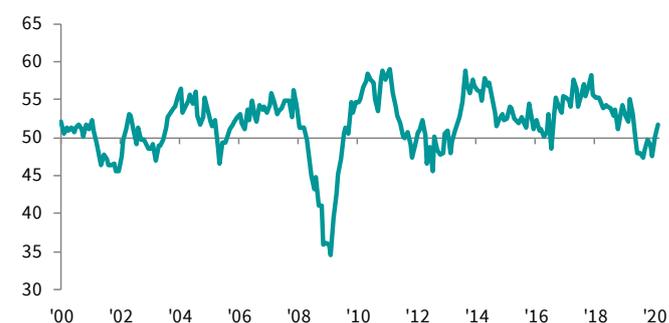
Growth of manufacturing output accelerated to a ten-month high in February, as domestic demand continued to recover on the back of reduced political uncertainty. Supply-chain disruptions were rapidly emerging, however, as the outbreak of COVID-19 led to sizeable raw material delivery delays, rising input costs and increased pressure on stocks of purchases.

The seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index® (PMI®) rose to 51.7 in February, up from 50.0 in January, but below the earlier flash estimate of 51.9. The PMI posted above the 50.0 neutral mark for the first time in ten months.

Manufacturing output increased at the fastest pace since April 2019, as growth strengthened in both the consumer and intermediate goods sectors. In contrast, the downturn at investment goods producers continued. The main factor underlying output growth was improved intakes of new work. Business optimism also strengthened, hitting a nine-month high, reflecting planned new investment, product launches, improved market conditions and a more settled political outlook.

February saw the level of new work received expand for the second successive month. The rate of increase accelerated to an 11-month high, as reduced levels of political uncertainty and successful promotional activities aided a further recovery in domestic market strength. There were also some reports of manufacturers receiving orders redirected from clients experiencing supply-chain issues.

Manufacturing PMI
sa, >50 = improvement since previous month



Source: IHS Markit / CIPS.

Less positive news was provided by the trend in new export business, with overseas demand decreasing for the fourth successive month in February. Companies reported reduced new work intakes from Asia (especially China) due to the COVID-19 outbreak. There were also reports of efforts to re-route supply chains away from the UK (following Brexit) contributing to weaker demand from the EU.

The effects of the COVID-19 outbreak had a noticeable impact on supply chains during February. Average vendor lead times lengthened to the greatest extent since July 2018, while the eight-point drop in the level of the seasonally adjusted Suppliers' Delivery Times Index was the largest in the 28-year survey history. Recent storms and flooding in the UK also had an impact.

Delays in the delivery of inputs and companies burning through Brexit safety stocks led to increased pressure on inventories. Stocks of purchases fell at the fastest rate in over seven years. Stocks of finished goods and purchasing activity were also lower. Shortages of certain raw materials led to increased input prices, part of which was passed on to clients through higher output charges.

Manufacturing employment resumed its downwards trend in February, falling for the tenth time during the past 11 months. The decline was centred on the investment goods sector, as jobs growth was seen at both consumer and intermediate goods producers.

COMMENT

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

“The UK manufacturing sector remained in recovery mode in February, as reduced levels of political uncertainty following last year's general election translated into further growth of output and new orders. Supply-chain disruptions were emerging rapidly, however, as the COVID-19 outbreak led to a substantial lengthening of supplier lead times, raw material shortages, reduced inventories of inputs, rising input costs and reduced export orders from Asia and China in particular.

“The expansion of output was nonetheless the fastest since April 2019, as stronger demand from the domestic market led to the steepest increase in new work in 11 months. Business optimism also improved to a nine-month high. However, the upturn remains confined to the consumer and intermediate goods sectors, as the downturn at investment goods producers continued. This suggests that business confidence levels have yet to recover sufficiently to support a sustained rise in capital spending. With supply-chain headwinds rising, and trade negotiations with the EU starting, it remains to be seen whether the recovery can stay on course during the coming months.”

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

“The highest level of new orders in almost a year put the manufacturing sector on a slightly firmer footing in February. Optimism rode high, as domestic clients set aside major fears about the economy, Brexit and political uncertainty to get production moving again.

“Companies dependent on instructions from overseas however, were not so lucky. European and Asian clients held back on contracts citing continuing Brexit fears and now the potential acceleration in disruption caused by the Coronavirus. As factories closed and workforces stayed away in China, client hesitation was fast spreading into other regions of the world.

“Though overall activity in the sector did pick up the pace in February, the weakest performance by suppliers since July 2018 as measured by the suppliers' delivery times index showed a startling deterioration in the performance of global supply chains. This domino effect resulted in shortages of raw materials and the highest input price inflation since June, as not all supplies could be redirected to suppliers who were able to fulfil requests.

“With no clear end to the disruption in sight, the gains made by manufacturing at the beginning of the year could soon be lost. A vortex of poor UK weather conditions, underlying remaining Brexit fears and now the Coronavirus will strip the sector of any significant wins if supply chains continue to disintegrate in the coming months.”

CONTACT

IHS Markit

Katherine Smith
Public Relations
T: +1 781 301 9311
Katherine.Smith@ihsmarkit.com

CIPS

Trudy Salandiak
Corporate Communications
T: +44-1780-761576
trudy.salandiak@cips.org

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.

February 2020 final Manufacturing PMI data were collected 12-25 February 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 February 2020 flash was based on 80% of the replies used in the final data.

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.
ihsmarkit.com/products/pmi.html

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.
