

Embargoed until 0930 London (0830 UTC) 1 May 2019

IHS MARKIT / CIPS UK MANUFACTURING PMI®

UK manufacturing upturn slows as new export business falls and pace of stockpiling eases

KEY FINDINGS

UK Manufacturing PMI at 53.1 in April (2-month low)

New export business declines

Stock-building continues at solid, yet slower, pace

April saw the recent growth fillip at UK manufacturers show signs of petering out, as rates of expansion in output and new orders slowed and new export business decreased at the second-fastest pace in four-and-a-half years. Brexit stock-building continued, albeit to a lesser extent than in the prior survey month.

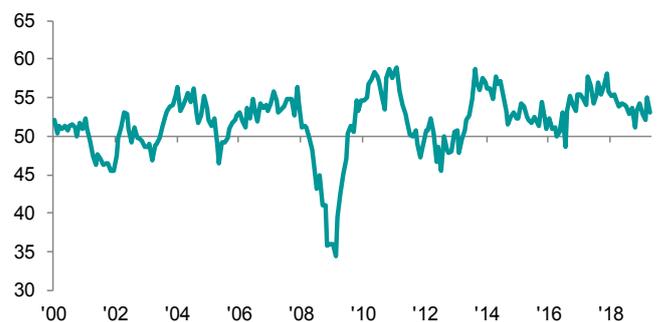
The headline seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index® (PMI®) fell to 53.1 in April, down from March's 13-month high of 55.1. Alongside weaker growth in production, new orders and stocks of purchases, the lower PMI level also reflected job losses in the sector.

The main theme in UK manufacturing in recent months has been accelerated stockpiling in preparation for Brexit, culminating with the survey-record increases in both inventories of inputs and finished products in March. This process largely continued into April, with further substantial expansions to holdings signalled. However, the delay to the UK's departure date meant that rates of increase in both stock measures eased.

Output growth slowed from March's ten-month high in April. Rates of expansion eased sharply in the intermediate and investment goods sectors, in contrast to a mild acceleration at consumer goods producers. The upturn in new work received also weakened, as domestic market conditions remained subdued and new export business contracted.

April saw overseas demand decrease at the second-fastest pace in the past four-and-a-half years. Brexit uncertainty was the main factor underlying the decrease according to

Manufacturing PMI
sa, >50 = improvement since previous month



companies. There was mention of some clients re-routing supply-chains away from the UK and of their inventory holdings already being relatively high following recent stock-building activity. Slower global market conditions also contributed, with reports of lower demand from the EU, the USA and China.

Manufacturing employment declined for the third time in the past four months during April. Job losses were attributed to natural wastage, improved efficiency and workforce restructuring. However, the rate of reduction was only mild, as some firms raised employment to meet current and expected future production requirements.

Business optimism improved to a seven-month high in April, with over 50% of companies forecasting that output would increase over the coming year. The confident outlook was attributed to expansion plans, new product launches, use of new technologies, marketing strategies and an improved operating environment. However, some firms noted ongoing concerns about Brexit uncertainty (including the timing) and the possible impact of future destocking at clients on demand and production moving forward.

Average purchasing costs rose in April, mainly due to higher commodity, energy, oil and raw material prices. Output charges also increased. That said, rates of inflation in both price measures were weaker than in March.

COMMENT

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

“The upturn in the UK manufacturing sector eased at the start of the second quarter. Growth of output and new orders slowed, leading to job cuts for the third time in the past four months. The trend in new export business was especially weak, as high stock holdings at clients and slower global economic growth led to reduced demand from key markets such as the European Union, the USA and China. There were also reports of overseas clients acting now to re-route their supply chains away from the UK in advance of Brexit.

“A central theme at UK manufacturers during recent months has been stockpiling activity in advance of Brexit, and this process continued into April. Rates of increase in both inventories of inputs and finished products remained historically rapid, despite cooling from the record highs seen in March. Companies noted that the delay to the scheduled Brexit date meant they had to ensure levels of key inputs remained sufficiently large to cover as broad a range of outcomes as possible in coming months.

“The stock build has clearly still helped support production growth, with a number of companies attributing increased output in April to Brexit-related stock-building.

“Manufacturers' outlook remained relatively upbeat, however, with over 50% forecasting their output will be higher in 12 months' time. Companies plan to use new product launches, new technologies and improved marketing strategies to drive growth forward in the coming months. However, Brexit uncertainty continues to weigh on plans, as some firms remain concerned about future growth prospects and the likely impact on output and demand from the unwinding of inventory positions later in the year.”

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

“As Brexit prevarication continued, overseas clients took to action and found new supply chain routes away from the UK resulting in the second-fastest drop in new export orders in four-and-a-half years.

“The mild rise in domestic orders was unable to meet this significant shortfall in business and with the extended Brexit deadline, the levels of stockpiling slowed as UK manufacturers turned their attention to building efficiencies instead. Concerns intensified over whether there would be enough demand in the coming months to dislodge current supplies and companies reviewed their staffing levels with employment falling for the third time in four months.

“Some small respite this month came in the form of a marginal ease in input price inflation but the ruthless realities of a weak global economy and the dragging effects of political indecision has the sector merely surviving from one month to the next in the hope of something better soon.”

CONTACT

IHS Markit

Joanna Vickers
Corporate Communications
T: +44-207-260-2234
joanna.vickers@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.

April 2019 data were collected 10-25 April 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](https://www.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.
