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## IHS MARKIT / CIPS UK MANUFACTURING PMI®

### Manufacturing sector growth improves but consumer goods industry remains in doldrums

#### KEY FINDINGS

UK Manufacturing PMI at 55.6 in November  
(Flash: 55.2)

Output growth accelerates

'Brexit-buying' leads to higher purchasing, stocks and exports

The upturn in the UK manufacturing economy strengthened during November, as rates of growth in output and new business accelerated and the downturn in employment slowed. The upcoming end to the Brexit transition period meanwhile led to rising levels of input purchasing, stockpiling of raw materials and stronger gains in new export business as EU-based clients brought forward orders.

*Survey data were collected 12-25 November.*

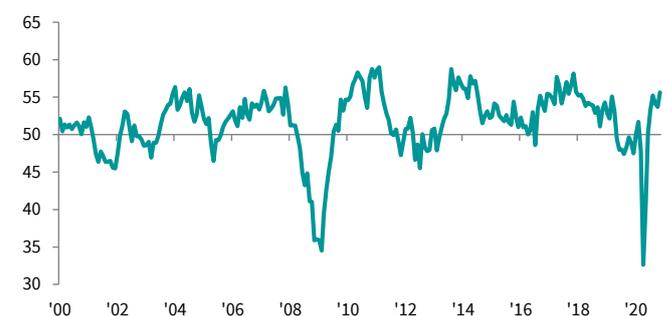
The seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index® (PMI®) rose to a 35-month high of 55.6 in November, up from 53.7 in October. The PMI has now signalled expansion for six successive months.

Manufacturing production increased again in November. Although the rate of expansion was both solid and above that registered in the prior survey month, it was also weaker than those seen through the third quarter of the year. The upturn in production volumes was linked to companies re-opening following COVID-19 closures earlier in the year and improving demand.

November saw a marked divergence between different sectors within manufacturing. The intermediate and investment goods industries both registered robust and accelerated growth of output. In contrast, the downturn in the consumer goods sector continued, with back-to-back decreases in both production and new business.

The overall volume of incoming new business rose during November, albeit to a slightly lesser extent than the prior survey month. Manufacturers saw higher inflows of new

Manufacturing PMI  
sa, >50 = improvement since previous month



Source: IHS Markit / CIPS.

work from overseas, in part boosted by EU clients bringing forward purchases before the Brexit transition period ends. There were also reports of higher intakes from Asia and the US.

The upcoming end to the Brexit transition period also affected the trends in purchasing, stocks and supplier lead times. Input buying volumes increased to the greatest extent since March 2019, mainly to achieve the steepest growth in stocks of purchases for over a year.

Higher levels of input buying also increased the pressure on already strained supply-chains, leading to raw material shortages and a marked deterioration in vendor performance. Longer supplier lead times were also linked to the ongoing effect of the pandemic, tighter restrictions (including renewed lockdowns), transport disruptions and shipping delays.

Manufacturing job losses were recorded for the tenth consecutive month in November. Reductions to staff headcounts were attributed to redundancies, cost reduction initiatives, staff restructuring, natural wastage and the ongoing impact of the COVID-19 pandemic. This was despite business optimism about the year ahead rising to a six-year high.

Input cost inflation accelerated to a two-year high in November. Companies responded by raising their average selling prices to the greatest extent in the year-so-far.

## COMMENT

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

*“Growth of the UK manufacturing sector picked up in November, temporarily boosted by 'Brexit-buying' among clients and the ongoing boost from economies re-opening following lockdowns earlier in the year. The effects were strongest felt among firms supplying inputs to other companies as warehouses were restocked, and among producers of investment goods such as machinery and equipment. The weak point was the consumer goods industry, which saw lower output and new order intakes amid depressed household sentiment caused by mounting job losses and the UK re-entering lockdown.*

*“Whether the upturn of manufacturing production can be sustained into the new year is therefore highly uncertain, especially once the temporary boosts from Brexit purchasing and stockbuilding wane. On this front some reassurance is provided by the survey's gauge of business optimism. Confidence has risen to a level not seen since late-2014, with over three-fifths of manufacturers (61%) still expecting to raise output over the coming year. On the other hand, many manufacturers remain very concerned about the outlook and generally reluctant to expand capacity, hence employment fell for the tenth month in a row.”*

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

*“Manufacturing companies were running at full pelt in November with a continuing flow of domestic orders and export business rising for the fourth month in a row. Companies in the UK, Europe and the US were buying at speed to meet the Brexit deadline, whilst covid-related supply chain disruption and increased safety measures for returning staff continued. As a result, an extended list of shortages started to appear along with the highest cost inflation for two years and disappointing delivery times last seen when the pandemic first hit.*

*“Though the Brexit bounce continued for some, reluctant spending amongst shoppers meant that the consumer goods sector fell behind and the level of orders and production dropped. The impact of redundancies in the UK has affected consumer confidence though manufacturing positivity for the year ahead was the highest since September 2014.*

*“Panic buying aside, there was little in the figures to suggest a sustainable recovery once we move into 2021. Job shedding continued last month and new business could drop off a cliff in January as potential border disruptions are thrown into the mix. The prospect of an extended recession continues to hover above the UK economy until clarity around a Brexit deal is reached and hopes for an effective vaccine supply chain are realised bringing much-needed normality.”*

## 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.

November 2020 final Manufacturing PMI data were collected 12-25 November 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 November 2020 flash was based on 82% 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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