News Release

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IHS Markit / CIPS UK Manufacturing PMI®

Manufacturing input prices rise at 30-year survey record rate as supply chain pressures remain intense

Key findings

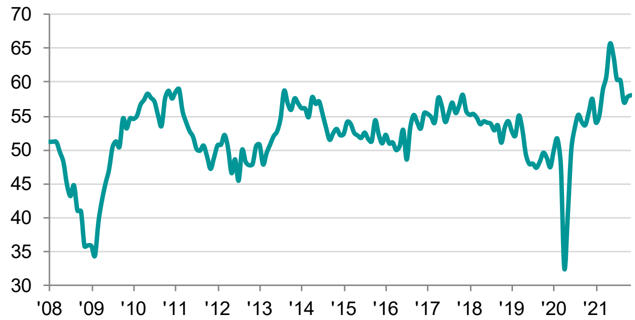
UK Manufacturing PMI at 58.1 in November (3-month high)

Output growth edges higher as domestic order intakes rise

New export business falls for third straight month

Data were collected 12-25 November 2021.

IHS Markit / CIPS UK Manufacturing PMI
sa, >50 = improvement since previous month



Sources: IHS Markit, CIPS.

UK manufacturers continued to face a challenging operating environment in November, as severely stretched supply chains disrupted production schedules and drove up input prices to the greatest extent in the 30-year survey history.

The seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index® (PMI®) rose to a three-month high of 58.1 in November, up from 57.8 in October. All five of the PMI components had a positive influence, as production, new orders, employment and stocks of purchases rose and supplier lead times lengthened.

Output increased for the eighteenth month running in November, with the rate of expansion accelerating slightly from October's eight-month low. Companies reported that improved new work intakes – especially from the domestic market – and efforts to build safety stocks supported increased output.

There remained widespread mention of input and labour shortages stymieing efforts to raise production, however. This led to existing stocks being depleted to satisfy customer orders.

The strain on supply chains also led to further substantial lengthening of average vendor lead times. Resulting shortages of components and commodities, combined with input demand outstripping supply, led to a survey record increase in average purchase prices. Around three-quarters of manufacturers reported a rise, compared to less than 1% seeing a fall. Cost and market pressures also affected selling prices, which rose at a rate close to October's series-record.

November saw inflows of new business increase for the tenth straight month, underpinned by stronger UK market conditions, returning customers and rising client confidence. The trend in new export orders worsened, however, with intakes dropping for the third month in a row. There were reports of weaker demand from China, disruption to trade with the EU (in part due to ongoing Brexit complications) and the cancellation of some orders due to extended lead times.

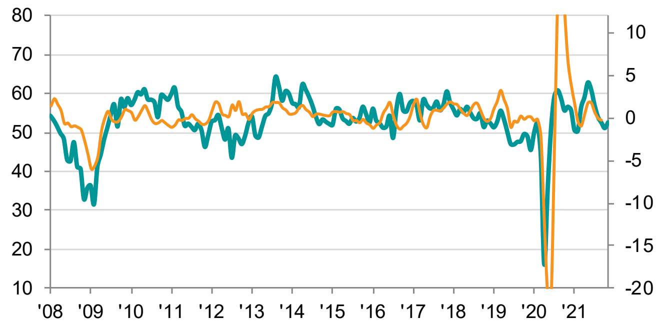
Capacity also remained stretched at UK manufacturers during November, with backlogs of work rising to a near record extent. This supported further job creation in the sector, with employment rising for the eleventh month running and at the quickest pace since August.

Purchasing activity rose for the tenth month running in November. Increased input buying reflected rising production needs, safety stock building and efforts (including over-purchasing) to minimise supply chain delays. Input stock holdings expanded solidly as a result.

UK manufacturers maintained a positive outlook during November, with business optimism rising to a three-month high. Over 63% of companies expected output to rise over the coming 12 months, with only 6% forecasting a decline. Positive sentiment was linked to COVID recovery, economic growth, new product launches, planned marketing campaigns, business expansions, diversification, innovation and reduced supply chain stress.

UK Manufacturing PMI Output Index
sa, >50 = growth since previous month

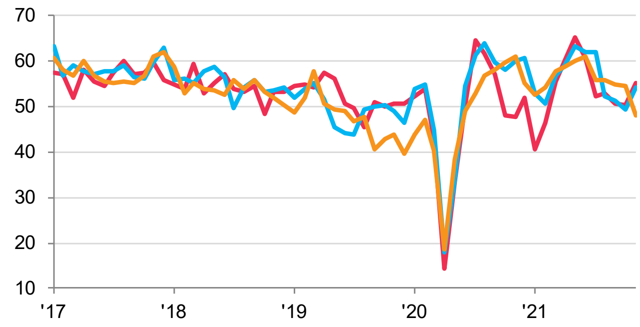
Manufacturing production
% 3m/3m



Sources: IHS Markit, CIPS, ONS.

PMI Output by goods sector
sa, >50 = growth since previous month

Consumer / Intermediate / Investment



Sources: IHS Markit, CIPS.

Comment

Commenting on the latest survey results, Rob Dobson, Director at IHS Markit, said:

"Although November saw rates of expansion in output and new orders gain some traction, growth remains lacklustre compared to the first half of the year. Manufacturers are facing a challenging backdrop, with rising supply chain disruptions, staff shortages and inflationary pressures stifling growth while ongoing difficulties caused by Brexit and logistical headaches restrict opportunities to expand into overseas markets. New export sales fell for the third straight month.

"Firms costs meanwhile continue to surge relentlessly higher, rising at the steepest pace in the three decades of survey history. Stretched supply chains, component shortages and a vast mismatch between demand and supply are all exerting massive upwards pressure on input costs. This is also filtering through to prices charged at the factory gate, which rose at a rate close to October's record high.

"For those concerned about the strength of the jobs market as support schemes are withdrawn, positive news is provided by a further solid rise in manufacturing headcounts.

"The current mix of supply-side constraints, cost increases, skill shortages and rising demand for labour will add to the expectations of an imminent rate increase by the central bank, but the survey highlights how the subdued rate of manufacturing growth and export decline leaves industry in a vulnerable position to any new headwinds, not least the Omicron variant."

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

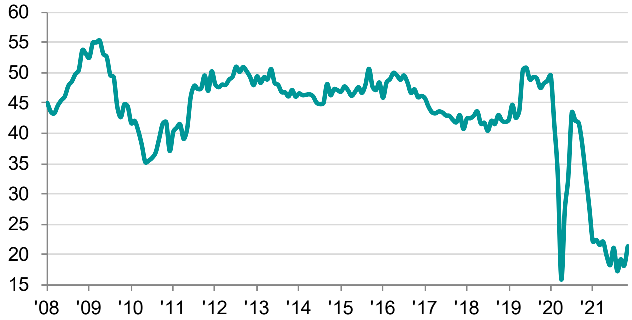
"Sluggish global supply chains remained uppermost in the minds of manufacturers this month. Disruption led to a new three-decade high in terms of mounting prices and supplier delivery times increased for the 29th consecutive month holding back further output.

"New orders flows exacerbated the problem in manufacturing capacity with the fastest intake for three-months, and it was the domestic market that made up the majority of the new work. Export orders dropped back again as long lead times, port and shipping difficulties caused some clients to lose patience and opt to source elsewhere.

"This didn't detract from the optimism in the sector as 63% of manufacturers that conditions would continue to improve – if only in fits and starts. With more success in finding skilled labour they are preparing for supply chain issues to even out and for price rises to subside. 74% of supply chain managers paid more for their goods in November, as prices charged also accelerated at a rapid pace raising fears that the UK economy could over inflate if supply chain disruption doesn't subside in the first quarter of 2022."

UK Manufacturing PMI Suppliers' Delivery Times Index

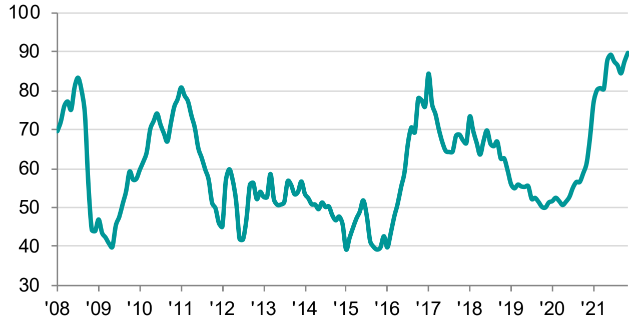
sa, >50 = faster times since previous month



Sources: IHS Markit, CIPS.

UK Manufacturing PMI Input Prices Index

sa, >50 = inflation since previous month



Sources: IHS Markit, CIPS.

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Survey 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 650 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.

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

Survey dates and history

Data were collected 12-25 November 2021.

Data were first collected January 1992.

Flash vs. final data

Flash data were calculated from approximately 85% of final responses. Since January 2006 the average difference between final and flash Manufacturing PMI values is 0.0 (0.4 in absolute terms).

About IHS Markit

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About CIPS

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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.