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## IHS MARKIT / CIPS UK MANUFACTURING PMI®

### UK Manufacturing PMI at 13-month high as pace of stockpiling hits fresh survey-record

#### KEY FINDINGS

UK Manufacturing PMI at 55.1 in March (13-month high)

Stocks of inputs and finished goods rise at record rates

Trends in output, new orders and employment strengthen

The impact of Brexit preparations remained a prominent feature at manufacturers in March. Efforts to build safety stocks led to survey-record increases in inventories of both purchases and finished products. Trends in output and employment also strengthened as stockpiling operations at clients led to improved inflows of new work.

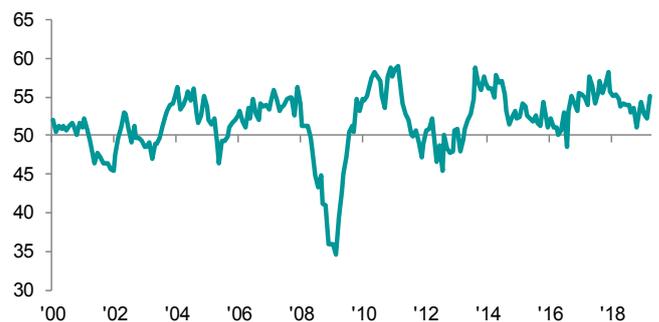
The headline seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index® (PMI®) rose to a 13-month high of 55.1 in March, up from a revised reading of 52.1 in February (originally reported as 52.0). The PMI has remained above the 50.0 benchmark for 32 months in a row.

The trend in manufacturing output improved in March. Companies stepped up production to build-up inventories in advance of Brexit and also meet rising inflows of new work (mainly reflecting stockpiling at clients). New business improved from both domestic and export markets. This had a positive impact on staff hiring, with jobs growth recorded following back-to-back reductions at the start of the year.

The rate of increase in stocks of purchases hit a survey-record high for the third month running in March. The three sub-industries covered (capital, consumer and intermediate goods) all saw inventories rise at series high rates. A similar story was told for stocks of finished goods, which rose at a record pace for manufacturing as a whole and at, or close to, record highs across the three product sectors.

Brexit concerns also continued to weigh on business sentiment during March. Although the overall degree of optimism moved slightly higher, it remained subdued

Manufacturing PMI  
sa, >50 = improvement since previous month



compared to that generally seen earlier in the series history.

Apart from ongoing uncertainty, companies indicated that future output growth may be constrained as the current strong pace of inventory building at both manufacturers and their clients is unwound over the coming year. On the plus side, 46% of survey respondents forecast output to be higher one year from now. Optimism was linked to improved demand, new product launches, entering new markets and reduced Brexit uncertainty in future.

Raw material shortages, inflationary pressures, Brexit and higher energy costs were all factors underlying a further increase in average purchase prices during March. Manufacturers indicated that part of the rise in costs was passed on to clients in the form of higher selling prices. That said, the pace of output charge inflation eased to a 32-month low.

March saw increased pressure on manufacturers' supply-chains, as highlighted by a marked deterioration in average vendor performance. Lead times lengthened for the forty-second successive month, which firms linked to ongoing capacity pressures at vendors, strikes and delays at the Calais Channel crossing, a lack of freight availability and strong demand for raw materials. The last factor was often linked to Brexit-related purchasing and stockpiling activities.

## COMMENT

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

*“Manufacturers reported a surge of business activity in March as companies stepped-up their preparations for potential Brexit-related disruptions. Output, employment and new orders all rose at increased rates as manufacturers and their clients raced to build safety stocks. Stocking of finished goods and input inventories surged to new survey-record highs.*

*“The stock-building boost introduces a major headwind for demand, output and jobs growth moving forward. Manufacturers are already reporting concerns that future trends could be constrained as inventory positions across the economy are unwound. The survey is also picking up signs that EU companies are switching away from sourcing inputs from UK firms as Brexit approaches. It looks as if the impact of Brexit preparations, and any missed opportunities and investments during this sustained period of uncertainty, will reverberate through the manufacturing sector for some time to come.”*

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

*“Businesses on both sides of the channel intensified their efforts this month to accumulate materials with the fastest increase in the stock building of finished goods since 1992, as the UK hurtled towards the Brexit deadline.*

*“Firms attempted to guarantee certainty of supply, lock in good price deals and protect their operations from withering under the pressures of uncertainty as new orders from domestic and export markets such as mainland Europe rose at their fastest rate this year. Supply chains paid a heavy price for this spike in activity as delivery times increased again and suppliers under the cosh for raw materials and finished goods struggled with demand and transportation issues.*

*“This panic-buying had a marginally positive effect on job creation however, as increased Brexit preparations required more hands on deck and some businesses were carrying on regardless launching new products and markets.*

*“The big worry is if the threat of uncertainty recedes, businesses will have to resort to heavy discounting on these stocks to free-up valuable operating expenses if normal order levels are not restored in the coming months. With higher price inflation continuing to gnaw away at margins and businesses paying more for energy and raw materials, the economic burdens could deepen and job hiring strategies re-examined.”*

## 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.

March 2019 data were collected 12-26 March 2019.

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. To learn more go to [ihsmarkit.com/products/pmi.html](https://www.ihsmarkit.com/products/pmi.html).

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