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## IHS MARKIT / CIPS UK MANUFACTURING PMI®

### Manufacturing upturn constrained by supply chain disruption and rising cost pressures in February

#### KEY FINDINGS

UK Manufacturing PMI at 55.1 in February  
(2-month high)

Growth subdued by stretched supply chains  
and rising costs

Business optimism rises to near six-and-a-half  
year high

The upturn of the UK manufacturing sector was constrained by supply-chain disruption and rising cost pressure in February, keeping output growth only marginal despite a modest improvement in new order intakes.

*Survey data were collected 11-23 February.*

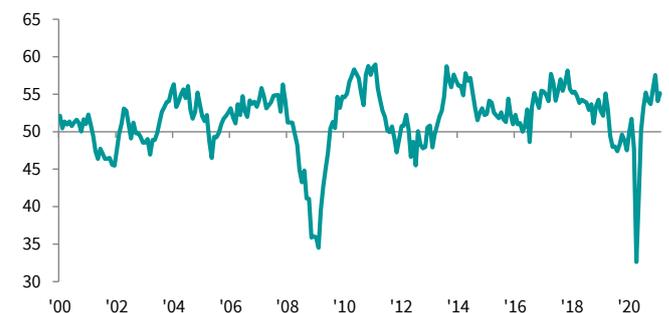
The seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index® (PMI®) rose to 55.1 in February, up from 54.1 in January and above the flash estimate of 54.9. The PMI has signalled growth for nine months in a row.

Output rose at the weakest pace during the current nine-month sequence of increase. New orders expanded following a slight decrease in January, as domestic demand improved and new export business inched higher. Companies reported improved demand from several markets – including the US, Asia, Scandinavia and (in a few cases) mainland Europe – but noted that the ongoing impact of COVID-19, Brexit complications and shipping difficulties also constrained export order growth.

Investment goods was the best performing sector during February, registering the fastest growth of output, new orders, new export business and employment of the three industries covered by the survey. Intermediate goods also saw production and new business increase, in contrast to the continued downturn at consumer goods producers.

Business optimism rose to a 77-month high in February, with over 63% of companies reporting that they expect output to be higher in one year's time. Positive sentiment was linked to continued recovery from the pandemic, reopening of the

Manufacturing PMI  
sa, >50 = improvement since previous month



Source: IHS Markit / CIPS.

global economy (including less transport restrictions) and reduced Brexit uncertainties.

Backlogs of work also ticked higher, increasing for the fourth month running. The combination of rising output, new orders and outstanding business alongside improved sentiment among manufacturers encouraged further job creation. Employment rose for the second month running and at the quickest pace since June 2018. Hirings also reflected the ongoing recovery from COVID-19 and raising capacity to meet future demand growth.

Input cost inflation accelerated for the tenth straight month in February and to its highest rate for over four years. Output prices subsequently rose at the fastest pace since January 2018.

The prime drivers of rising costs were supply-chain disruption and raw material shortages. Average vendor lead times lengthened to one of the greatest extents in the near 30-year survey history. Over 64% of firms reported higher purchase prices, while nearly 59% saw supplier delivery delays.

February saw a further substantial reduction to stocks of finished products. The rate of depletion was the steepest since September 2009, reflecting disruption to production schedules and manufacturers intentionally selling from inventories.

## COMMENT

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

*“The UK manufacturing sector was again hit by supply-chain issues, COVID-19 restrictions, stalling exports, input shortages and rising cost pressures in February. Look past the headline PMI and the survey reveals near-stagnant production, widespread shipping and port delays and confusion following the end of the Brexit transition period.*

*“In fact the biggest contributor to the headline PMI reading was a near-record lengthening of supplier delivery times. However, while normally a positive sign of an increasingly busy economy, the recent lengthening was far from welcome, more often than not linked to problems resulting from Brexit and COVID related. The resultant shortages for a vast array of components and raw materials, as rising demand chased restricted supply, led to a further acceleration in input cost inflation to a four-year high.*

*“With current constraints likely to continue for the foreseeable future, pressure on prices and output volumes may remain a feature during the coming months. That said, improved domestic demand as lockdown restrictions ease and a further rise in manufacturers' optimism are reasons to hope brighter times are on the horizon, and have already supported a modest rebound in staffing levels since the turn of the year.”*

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

*“Only the pincer movement of rising costs and supply chain disruptions in the manufacturing sector prevented higher growth in February as mounting optimism amongst manufacturers raised hopes of an imminent future recovery.*

*“Stronger pipelines of work from home and overseas impacted strained supply chains with delivery times rocketing to some of the highest levels since records began. This disorder was primarily created by shipping delays, transportation shortages and customs border commotion. Though it was difficult to see clearly where covid disruption ended and the Brexit muddle began as businesses on both sides of the Channel struggled with additional administrative burdens.*

*“Where some companies delayed trade across the UK/EU borders, others were determined to press on, leading to the highest rise in input prices since January 2017. Manufacturers were trying to source increasingly scarce raw materials as their pre-Brexit stocks unravelled at the quickest pace since September 2009.*

*“News on the job front was encouraging however with fastest employment rise since June 2018. We will see what support next week's budget from the chancellor will offer businesses and consumers to bring more life to the UK economy.”*

## 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.

February 2021 final Manufacturing PMI data were collected 11-23 February 2021.

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 2021 flash was based on 84% 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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