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## IHS Markit / CIPS UK Manufacturing PMI®

### Resource and staff shortages constrain growth and drive up costs at manufacturers in July

#### Key findings

UK Manufacturing PMI at 60.4 in July  
(63.9 in June)

Output and new order growth ease to four-month lows

Stretched supply chains lead to sharp rise in costs

Data were collected 12-27 July 2021.

The UK manufacturing upturn remained solid in July. Although rates of expansion in output and new orders slowed, they remained among the best in the survey history amid robust sales to both domestic and export clients. Scarcities remained a prime concern, however, as stretched supply chains and staff shortages were constraints preventing faster growth of output and employment.

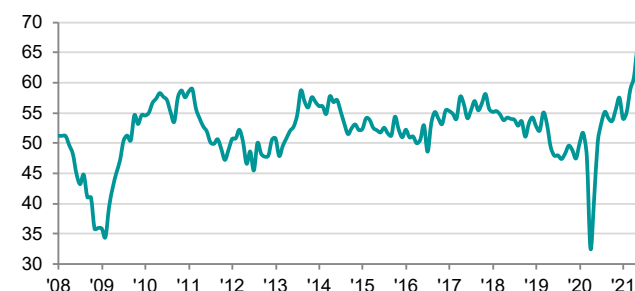
The seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index® (PMI®) posted 60.4 in July, down further from May's record high of 65.6. The PMI has signalled expansion for 14 months. Growth slowed across the consumer, intermediate and investment goods industries.

Manufacturing production rose for the fourteenth consecutive month in July, as companies benefited from increased new order intakes, rising client confidence and the re-opening of the economy. New business inflows reflected stronger demand from domestic and overseas markets. There were also reports of clients bringing forward purchases to guard against supply-chain issues. That said, rates of growth in both output and new work both eased to four-month lows.

July saw a further increase in new export business. The investment goods sector saw by far the steepest increase. Companies reported improved demand from the US, the EU, China, Russia and the Middle-East, although some noted that Brexit issues constrained exports to the EU.

Scarcities, shortages and price rises remained prominent challenges faced by UK manufacturers during July.

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



Sources: IHS Markit, CIPS.

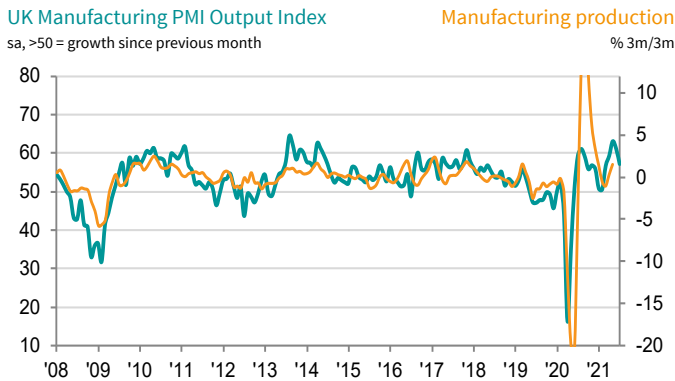
Raw material, staff and skill shortages were all major factors stymieing output growth and contributing to a further marked increase in input purchasing. Solid jobs growth continued, but the rate was insufficient to prevent a further increase in backlogs.

Logistic delays caused by stretched international supply chains meanwhile led to a further marked lengthening of supplier lead times during July. Raw material shortages, disruption caused by COVID-19 and Brexit and capacity issues across the distribution network (including delays at ports, freight and shipping services) also contributed to delivery delays.

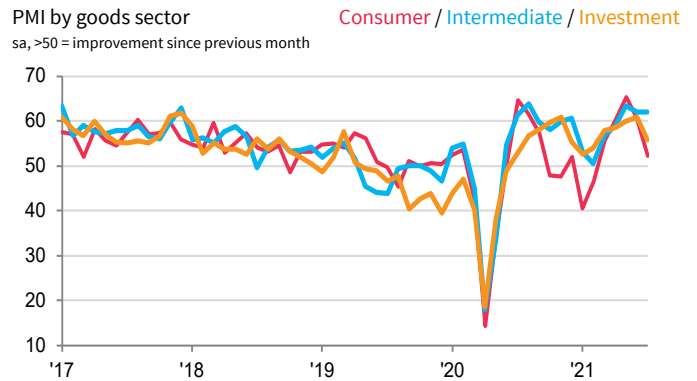
With demand outstripping supply, price pressures continued to grow during July. Average input costs rose at a near survey-record pace, with over 72% of manufacturers seeing an increase.

A vast array of items increased in cost, including chemicals, commodities, cardboard, electronics, food stuffs, metals, packaging and timber products. The pass-through of higher input costs led to a further substantial rise in output charges, which rose at a near-identical pace to June's series-record.

The outlook for the manufacturing sector remained on the upside in July, with 63% of companies forecasting output to rise over the coming year. Positive sentiment was linked to improving market conditions and reduced uncertainty surrounding both the post-Brexit and post-pandemic trading environment.



Sources: IHS Markit, CIPS, ONS.



Sources: IHS Markit, CIPS.

## Comment

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

*“Although July saw UK manufacturers report a further month of solid growth, scarcities of inputs, transport and labour are stifling many businesses.*

*“On one hand, manufacturers are benefiting from re-opening economies. This is leading to solid inflows of new work from both domestic and overseas markets, including the US, the EU, China and the Middle-East.*

*“On the other, the recent surge in global manufacturing growth has led to another month of near-record supply chain delays, exacerbated by factories and their customers building up safety stocks. Some firms also noted that post-Brexit issues were still a constraint on efforts to rebuild sales and manage supply and distribution channels to the EU.*

*“Demand outstripping supply is also driving up prices. Input costs again rose at a near survey-record pace, leading to a near-record increase in manufacturers' selling prices. Amid growing indications that many supply chain disruptions and raw material shortages are unlikely to be fully resolved until 2022, the outlook remains one of constrained growth combined with high inflation for the foreseeable future.”*

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

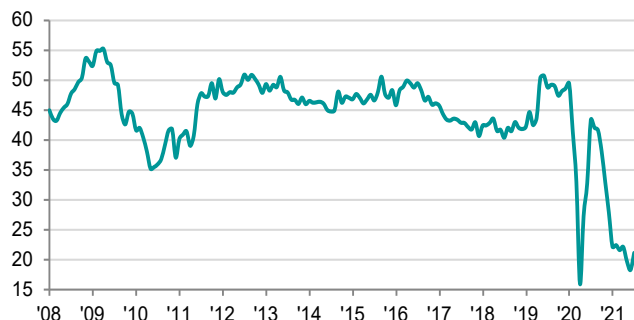
*“Manufacturing in July was once again unable to maintain the pace of output growth seen earlier this year following the re-opening of the UK economy, as supply gridlock resulted in a moderate deceleration in the rates of expansion of production, new orders and job creation.*

*“A mismatch in global recovery rates following the pandemic meant some businesses abandoned their usual suppliers to seek new sources and avoid elevated lead times and the shortages gripping the sector. Disruption is a worldwide problem however, so there was likely to be limited success in re-modelling supply chains completely with the challenges too difficult to circumnavigate.*

*“As more and more supply chain managers chased fewer materials, three quarters of manufacturing companies paid higher prices as the weight of inflation bore down on an increasing number of input items. Firms were also in stronger pursuit of skilled labour as recruitment became more difficult with workers changing jobs, isolating or hesitating to return.”*

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](mailto:economics@ihsmarkit.com).

Survey dates and history

Data were collected 12-27 July 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 0.1 (0.3 in absolute terms).

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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](http://ihsmarkit.com/products/pmi.html).