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## IHS MARKIT / CIPS UK MANUFACTURING PMI®

### UK Manufacturing PMI remains stuck at six-and-a-half year low in July

#### KEY FINDINGS

UK Manufacturing PMI at 48.0 in July (unchanged)

Output, new orders and employment fall again

Businesses forecast output to be higher in one year's time

The downturn in the UK manufacturing sector continued at the start of the third quarter. Production and new orders shrank as manufacturers faced the ongoing headwinds of political uncertainty, a global economic slowdown and the unwinding of stocks built prior to the original Brexit date.

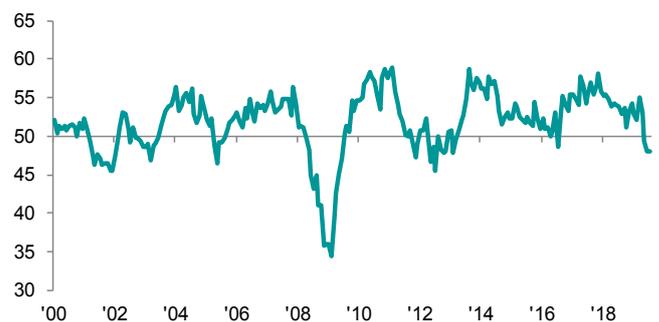
At 48.0 in July, unchanged from June, the headline seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index® (PMI®) stayed below the neutral 50.0 mark for the third straight month. The last time that the PMI was below its current level was almost six-and-a-half years ago (February 2013).

Manufacturing production fell to the greatest extent in seven years, as companies scaled back output in response to a further solid decrease in new order intakes. Demand was weaker from domestic and overseas markets. The decline in new export business mainly reflected lower intakes from the EU and China.

Manufacturers linked lower order intakes and production to ongoing uncertainties (political, global trade tensions and Brexit) and slower world economic growth. Companies also noted that some clients were routing supply chains away from the UK in advance of Brexit.

The downturn in the sector negatively impacted the trend in staff hirings during July. Employment decreased for the fourth month in a row, with the pace of decline accelerating to one of the highest over the past six-and-a-half years. There were also reports of natural wastage, recruitment freezes and cost-control initiatives contributing to job cuts.

Manufacturing PMI  
sa, >50 = improvement since previous month



July saw little change in the level of input stocks. While some firms were still running down holdings bolstered prior to the original Brexit date, others were re-starting these stockpiling efforts in preparation for the new October deadline. Purchasing activity was cut for a third consecutive month. Lost contracts, efforts to free up cash and improved stock management processes were mentioned as reasons for lower input buying volumes.

Stocks of finished goods continued to rise in July, albeit to a noticeably lesser extent than earlier in the year. Firms linked higher inventories to Brexit preparations. There were also reports of clients requesting delayed delivery dates, in part due to their own high inventory levels, leading some manufacturers to hold on to stock for longer than planned.

Price pressures eased at UK manufacturers, with rates of increase in both input costs and selling prices the weakest for over three years. Suppliers' delivery times lengthened for the first time in three months.

Manufacturers maintained a positive outlook in July. Over 46% expect output to be higher in one year's time, compared to less than 10% forecasting contraction. Optimism was linked to new product launches, an expected rebound in export sales, strong order pipelines, reduced uncertainty following Brexit and improved infrastructure (including 5G networks).

## COMMENT

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

*“July saw the UK manufacturing sector suffocating under the choke-hold of slower global economic growth, political uncertainty and the unwinding of earlier Brexit stockpiling activity. Production volumes fell at the fastest pace in seven years as clients delayed, cancelled or re-routed orders away from the UK, leading to a further decline in new work intakes from both domestic and overseas markets.*

*“The weak, highly competitive environment makes a sustained revival highly unlikely in the coming months. However, a short-lived bounce leading up to October should not be ruled out, as some manufacturers are already gearing up to re-start Brexit preparations. If so, expect a case of déjà-vu during quarter four, as another correction in inventory holdings hits growth in the lead-up to year-end. On a more positive note, there may still be brighter times over the horizon. Over two-fifths of companies expect to see higher output a year from now, assuming political uncertainties and global trade tensions ease as expected.”*

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

*“A killer combination of economic uncertainty and the weakest production levels for seven years, battered the manufacturing sector into contraction for the third consecutive month in July. New orders fell as businesses used up stockpiled materials, EU businesses moved supply chains out of the UK and weakness in the global economy stifled demand from both domestic and export markets.*

*“Unsurprisingly the decline in employment levels followed suit with one of the sharpest cuts to jobs for more than six years as businesses hesitated to keep calm and carry on and build staff levels.*

*“However, optimism for the future stayed relatively buoyant in the hope that certainty will once again return to UK shores soon and in spite of the increase in no-deal Brexit rhetoric. The softening in cost inflation to a three-year low was a small gift as some businesses planned to tie up more funds in goods, materials and premium warehousing space in a potential second round of stockpiling in readiness for October.”*

## 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.

July 2019 data were collected 12-26 July 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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