

IHS Markit / CIPS UK Manufacturing PMI®

Manufacturing PMI at near-record high in April but sector still beset by supply-chain disruptions

Key findings

UK Manufacturing PMI at 60.9 in April (321-month high)

Production and new order growth strengthen

Output prices rise at record pace

Data were collected 12-26 April 2021.

April saw a further acceleration in the rate of expansion of the UK manufacturing sector. Growth of output and new orders were both among the best seen over the past seven years, leading to a solid increase in employment. The sector remained beset by supply-chain delays and input shortages, however, which contributed to increased purchasing costs and record selling price inflation.

The seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index® (PMI®) rose to 60.9 in April, up from 58.9 in March and above the earlier flash estimate of 60.7. The latest reading is the highest since July 1994's record high (61.0).

Manufacturing production increased for the eleventh successive month in April. Output growth was attributed to a loosening of lockdown restrictions, improved demand and rising backlogs of work.

Underpinning the latest robust expansion of production was a similarly marked improvement in intakes of new business. Total new orders rose for the third straight month, largely due to a further revival of domestic market conditions. Stronger client confidence, the re-opening of parts of the economy and improving global market conditions all contributed to sales growth.

Although new export business also rose in April, the growth rate was weak in comparison to that registered for total new orders. Companies reported improved new work intakes from several trading partners, including mainland Europe, the US, China and South-East Asia. Large-sized manufacturers saw a

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



Sources: IHS Markit, CIPS.

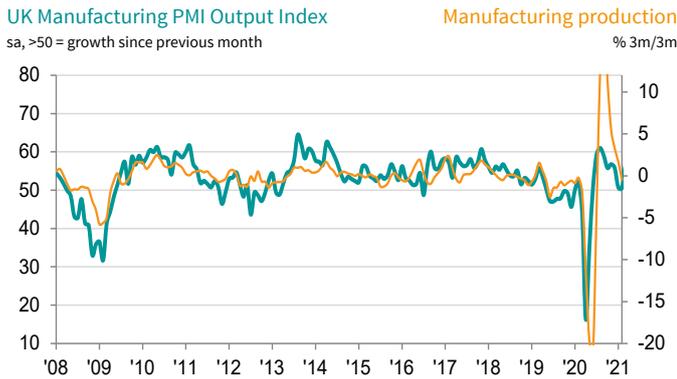
substantial expansion in new export order intakes, compared to only a marginal rise at small-sized firms.

The outlook for the UK manufacturing sector also remained positive at the start of the second quarter. Two-thirds (66%) of companies forecast that output will be higher in a year's time. The overall degree of confidence currently stands at its highest level in seven years. Optimism reflected expectations for less disruption related to COVID-19 and Brexit, economic recovery, improved client confidence and planned new product launches.

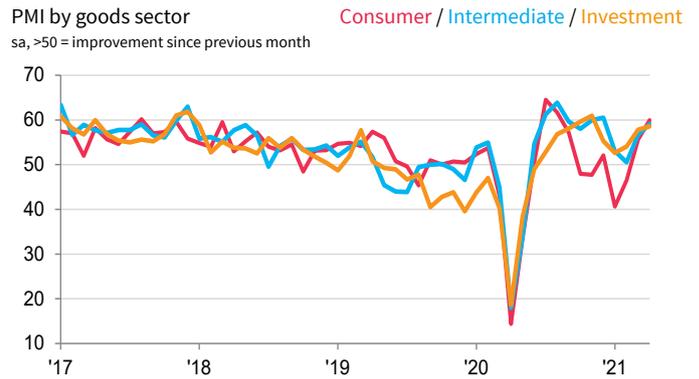
Average selling prices rose at the fastest pace since charges data were first collected in November 1999, as manufacturers passed on substantial cost increases to their clients. Demand outpacing supply was also mentioned as a factor contributing to both selling price and input cost increases.

Supply-chain delays and input shortages led to another near-record lengthening of vendor lead times. Manufacturers attempted to guard against further delivery delays and rising input costs by stepping up purchasing to one of the greatest extents in the survey history.

Manufacturing employment rose for the fourth successive month, with the rate of job creation staying close to March's seven-year high. Where an increase in staff headcounts was registered, this was linked to improved intakes of new work, higher production needs and efforts to combat rising backlogs of work.



Sources: IHS Markit, CIPS, ONS.



Sources: IHS Markit, CIPS.

Comment

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

“Further loosening of COVID-19 restrictions at home and abroad led to another marked growth spurt at UK factories. The headline PMI rose to a near 27-year high, as output and new orders expanded at increased rates. The outlook for the sector is also increasingly positive, with two-thirds of manufacturers expecting output to be higher in one year’s time. Export growth remains relatively subdued, however, as small manufacturers struggle to export.

“The sector also remains beset by supply-chain issues and rising inflationary pressures. Disruption following Brexit and COVID-19, especially at ports, caused a further near-record lengthening of supplier delivery times. The resulting input shortages kept producer price inflation among the highest over the past four years. Manufacturers have generally passed on these costs to customers, as highlighted by a survey-record rise in selling prices, but it is hoped that this inflationary backdrop will subside once supply and demand come back into line as covid-related logistic delays ease.”

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

“The manufacturing sector was flooded with optimism in April as the PMI rose to its highest level since July 1994, bolstered by strong levels of new orders and the end of lockdown restrictions opened the gates to business. It was primarily the home market that fuelled this upsurge in activity though more work from the US, Europe and China demonstrated there were also improvements in the global economy. This boom largely benefited corporates as output growth at small-scale producers continued to lag behind.

“As businesses raced to meet the need for increased capacity, the lost jobs of 2020 returned in greater numbers and employment creation continued in earnest at similar levels to last month and at a pace rarely surpassed in the survey history.

“However, the still significant delays in the delivery of goods due to the pandemic, Brexit and the Suez blockage in some sectors hampered further progress on two counts. The slow delivery of goods motivated supply chain managers to increase their order numbers and try to build up recently unravelled stocks leading to further hold-ups, and the injection of more inflationary pressures into the economy. Price rises were amongst the highest in the last three decades and shortages in some essential materials intensified. This in turn lead to customers paying more and at a rate not seen since records began in late-1999. This is likely to filter down to consumers before too long.”

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 12-26 April 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

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