

## IHS Markit / CIPS UK Manufacturing PMI®

### UK manufacturing sees stronger growth of output and employment at start of 2022

#### Key findings

Production rises at fastest rate in six months

New order growth slows despite mild uptick in new export business

Input cost and output price inflation ease

Data were collected 12-26 January 2022.

The start of 2022 saw growth of UK manufacturing output and employment strengthen, as companies responded to improved new order intakes, rising backlogs of work and addressed shortfalls in capacity. Although supply chain constraints continued to stymie growth, there were signs that these were passed their peak, a factor contributing to a slight easing in purchase price inflation.

The seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index® (PMI®) fell slightly to 57.3 in January, down from 57.9 in December, remaining above the 50.0 no change mark for the twentieth consecutive month. The marginal dip in the index level reflected slower growth of new orders and a further easing in the rate of increase in vendor lead times.

Production volumes rose for the twentieth successive month in January. The rate of expansion accelerated for the third month running to its highest since July 2021. Increased output reflected rising new order intakes, efforts to tackle backlogs of work and a slight improvement in export demand. Some firms also noted that supply chain stresses, staff shortages and slower growth of new work had stymied efforts to raise production further.

Stronger output growth had a positive impact on the trend in job creation during January. Manufacturing employment increased for the thirteenth consecutive month, with the rate of expansion the second-steepest in 11 years. Companies linked recruitment activity to new project launches, greater demand for products, preparations for future growth and efforts to address capacity shortfalls and rising backlogs.

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



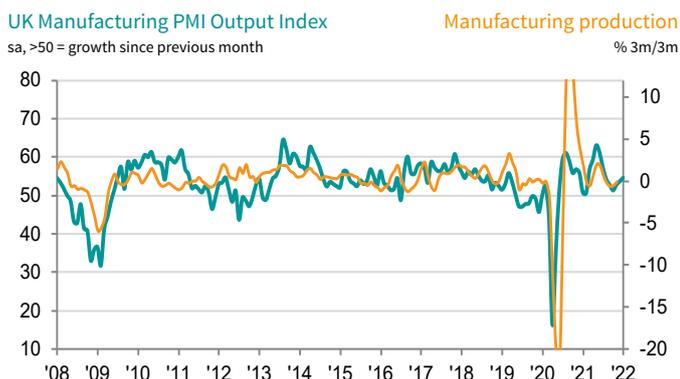
Sources: IHS Markit, CIPS.

News of improved growth of output and employment was partly tempered by an easing in the rate of increase in new business. Although the domestic market remained the prime source of new contract wins, the latest survey suggested that growth was less pronounced than in the prior month. New export business meanwhile rose, albeit only slightly, for the first time in five months, amid reports of stronger demand from the EU, the US, China, Brazil and the MENA region.

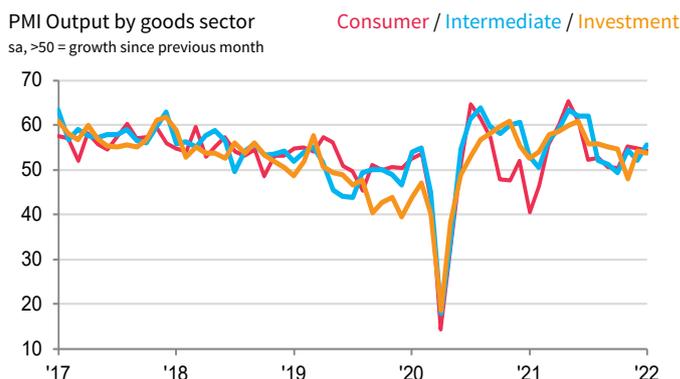
Although input price inflation remained substantial compared to the historical standards of the survey, the rate of increase eased to a nine-month low. Companies continued to report a wide array of inputs as up in price, including chemicals, electronics, energy, foods stuffs, metals, packaging and timber. Higher costs were passed on to clients in the form of increased output charges.

There were, however, reports that a recent lessening of the overall strain on global supply chains had contributed to the slower pace of increase in costs. Vendor lead times lengthened to the least marked extent since November 2020. Manufacturers mentioned issues relating to raw material shortages, supplier capacity, transportation delays and difficulty in sourcing goods nonetheless.

Stocks of purchases rose solidly during January, with the rate of growth among the quickest in the survey history. Companies reported pre-purchasing inputs to avoid expected price increases, concerns about supply disruptions and efforts to build up safety stocks.



Sources: IHS Markit, CIPS, ONS.



Sources: IHS Markit, CIPS.

## Comment

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

*“UK manufacturing made a solid start to 2022, showing encouraging resilience on the face of the Omicron wave, with growth of output accelerating as companies reported fewer supply delays. Causes for concern remain, however, as new orders growth slowed, exports barely rose, staff absenteeism remained high and manufacturers' ongoing caution regarding supply chain disruptions led to the beefing up of safety stocks.*

*“There was some positive news on the supply chains front. Although pressure on vendors remains severe, and still sufficient to stymie output growth and cause difficulty in obtaining required inputs, supplier lead times lengthened to the lowest degree since November 2020 to suggest that the current period of abnormal stress has hopefully passed its peak, despite the surge in cases linked to Omicron. This also lessened the upward pressure on prices, with input costs and output charges both rising at less elevated rates in January.”*

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

*“The UK economy continued to strengthen at the beginning of the year buoyed up by strong confidence amongst the UK’s makers, higher job creation levels and output at the strongest rate since July 2021.*

*“There was some disappointment in the lowest levels of new orders since February 2021 but moderate improvements in export orders balanced out the weaker rise in domestic work. Supply lines remained unreliable for some essential goods and raw materials stifling the capacity for businesses to complete work in hand and hampering further productivity.*

*“Even with these challenges, there was hope that tangible and sustainable improvements in business conditions were just on the horizon and 60% of businesses were optimistic about the future. Job hiring improved and purchasing activity remained high to support expectations of more orders soon.*

*“Forward-buying will be a good strategy if supplies can get through as price inflation remained at stomach-churning levels. Prices rose for another month and every month for the last two years as higher food, energy and material prices continue to act as a drag on business costs and recovery in the UK marketplace.”*

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 12-26 January 2022.

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 0.0 (0.4 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).