News Release

Embargoed until 0930 GMT (0930 UTC) 1 March 2022

IHS Markit / CIPS UK Manufacturing PMI®

Manufacturing growth improves as supply chain pressures show further signs of easing

Key findings

Output and new orders expand at quicker rates

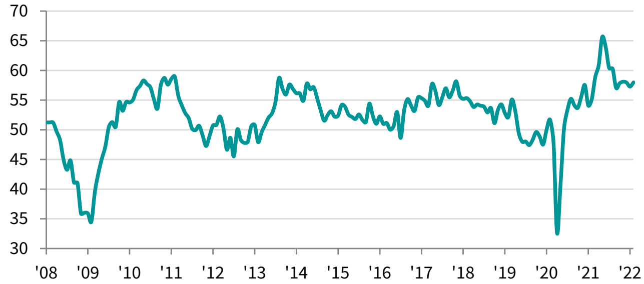
New export orders decrease

Input price inflation remains elevated

Data were collected 10-23 February 2022.

IHS Markit / CIPS UK Manufacturing PMI

sa, >50 = improvement since previous month



Sources: IHS Markit, CIPS.

The growth rate of UK manufacturing production accelerated to a seven-month high in February, aided by stronger domestic demand, fewer raw material shortages and easing global supply chain pressures. Although input price inflation remained elevated, the latest survey also signalled that cost increases were starting to moderate.

The seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index® (PMI®) rose to a three-month high of 58.0 in February, up from 57.3 in January. The PMI has remained above the neutral 50.0 mark for 21 successive months.

Faster growth of output, new orders and stocks of purchases all helped lift the PMI level in February, offsetting the impact of slower job creation and a lessening of supply chain disruptions.

Manufacturing output and new orders rose across the consumer, intermediate and investment goods sub-industries in February. Higher new work intakes reflected stronger domestic demand, new customer wins, looser COVID restrictions and improved market conditions.

In contrast, new export business decreased for the fifth time in the past six months, amid reports of Brexit-related issues, ongoing pandemic restrictions in trading partners and the loss of business from long lead times.

The outlook for the manufacturing sector remained positive in February. Almost 64% of survey respondents forecast that production would increase over the coming 12 months, taking the overall degree of optimism to a six-month high. Positive sentiment was attributed to market growth, strong order pipelines, lower pandemic-related restrictions and reduced levels of supply-chain disruption, plus input shortages.

Improved output and new order growth, alongside rising business optimism, underpinned job creation in February. Employment increased for the fourteenth month in a row, with the rate of expansion above its long-run average (albeit weaker than in January). Jobs growth supported a reduction in backlogs of work, which fell for the first time in 16 months.

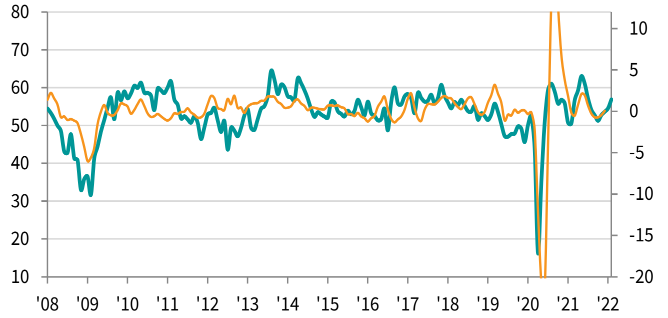
Average vendor lead times lengthened for the thirty-second consecutive month in February. There were signs that supply chain disruptions were passed their peak, however. Although the incidence of delivery delays remained high, it was the least severe since November 2020.

Companies continued to guard against a re-emergence of supply chain pressures in February, as highlighted by rising volumes of input purchasing and the further build-up of stocks of raw materials. Inventories of finished goods also rose slightly for the first time in over two years.

Rates of purchase price and output charge inflation remained among the highest on record in February. Companies reported that increases in a broad range of inputs – including chemicals, electronics, energy, food stuffs and metals – had driven up purchasing costs. These were then passed on (in part) to clients in the form of higher selling prices. That said, rates of increase in both price measures eased further from recent highs.

UK Manufacturing PMI Output Index / Manufacturing production

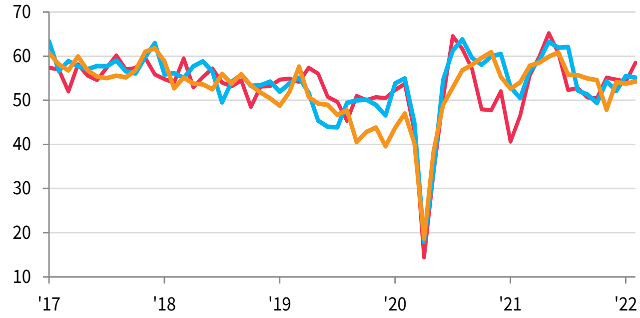
sa, >50 = growth since previous month / % 3m/3m



Sources: IHS Markit, CIPS, ONS.

PMI Output by goods sector — Consumer / Intermediate / Investment

sa, >50 = growth since previous month



Sources: IHS Markit, CIPS.

Comment

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

"February saw rates of expansion in UK manufacturing production and new orders both accelerate. Growth was boosted by stronger domestic demand and by firms catching up on delayed work as material shortages and supply chain disruptions started to dissipate. Consumer goods output in particular also benefitted from increased sales due to a further easing of COVID restrictions. However, the trend in new export orders is less positive, slipping back into contraction after January's short-lived uptick. While companies maintain a positive outlook for the year ahead, rising headwinds, especially the intensifying geopolitical backdrop, are ratcheting up near-term risks to demand and confidence.

"Inflationary pressure also remained elevated across the manufacturing sector in February. Companies were hit hard by rising transportation, energy and commodity prices, leading to further increases in selling prices. That said, rates of inflation for input costs and output charges eased further. Although this easing may have provided some temporary respite, signs that energy and oil prices may stay high is a further cause for concern."

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

"February saw a welcome uplift in manufacturing activity as the end of lockdown restrictions and more improvements in supply chain performance fuelled output growth momentum towards a seven-month high.

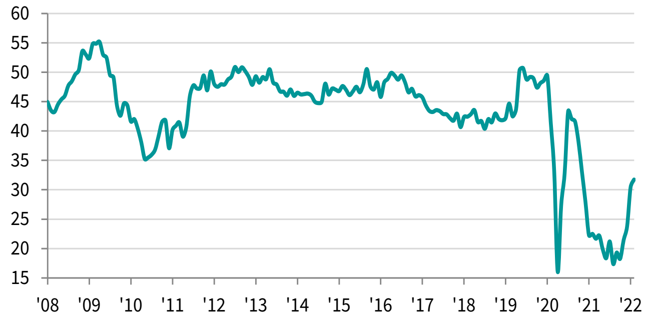
"Domestic customers picked up the pace with stronger pipelines of new work, which was in stark contrast to another softening in overseas orders and the fifth drop in six months. Survey respondents cited Brexit obstacles and an overspill of pandemic supply issues acting as a brake on export opportunities with clients seeking alternative sources.

"Elevated prices remained with inflationary costs still rising at both ends of the supply chain. Commodities such as food, raw materials and transportation were more expensive and meant firms' charges to customers rose again as they have in each month for almost six years.

"There were certainly several positives for the UK's manufacturing sector in February as 64% of manufacturing businesses remained optimistic. However, this success comes with a health warning as the Ukrainian crisis deepens and the potential for higher commodity prices, disruptions to supply and economic pain must be considered by businesses as they try to build resilience into their supply chains in the coming months."

UK Manufacturing PMI Suppliers' Delivery Times Index

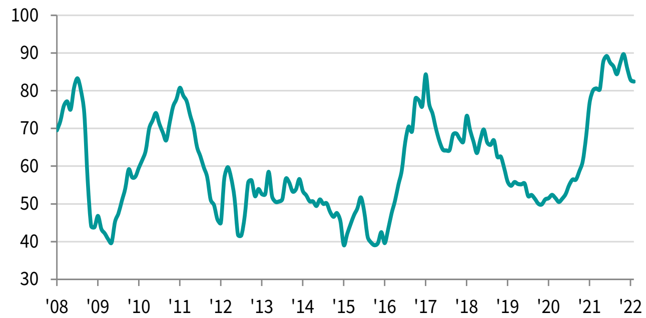
sa, >50 = faster times since previous month



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 10-23 February 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).

About IHS Markit

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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.

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