

## IHS Markit / CIPS UK Manufacturing PMI®

### UK Manufacturing PMI surges to record high in May

#### Key findings

UK Manufacturing PMI at 65.6 in May

Production growth strengthens as new work intakes rise at record rate

Output prices and input costs rise at unprecedented rates

Data were collected 12-25 May 2021.

Conditions in the manufacturing sector improved at an unprecedented rate in May, as output growth strengthened and new orders rose at the quickest pace in the near three-decade survey history. Looser pandemic restrictions and high levels of pent-up demand meant that the rapid revival in labour market conditions continued, with staffing levels also rising at a record pace.

The seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index® (PMI®) rose to 65.6 in May, up from 60.9 in April, above July 1994's previous record high of 61.0. The PMI has signalled improvement in each of the past 12 months.

Manufacturing production rose at one of the quickest rates in the series history, bettered only by those registered in August 2013 and July 1994. Underpinning the latest increase were record gains in new business, as domestic and overseas demand continued to revive. Companies linked new order growth to rising business confidence, the further re-opening of the UK economy and reduced issues relating to COVID-19.

New export orders also rose at a survey-record pace in May, amid reports of stronger demand from the EU, the US and China. That said, there were continued signs that while large companies were seeing record gains in new export work, the rate of increase at small firms was comparatively mild.

The corollary of the strong upswing in the performance of the manufacturing sector was pressure building on capacity, with backlogs of work rising to the greatest extent in the survey history. This was a major factor encouraging firms

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



Sources: IHS Markit, CIPS.

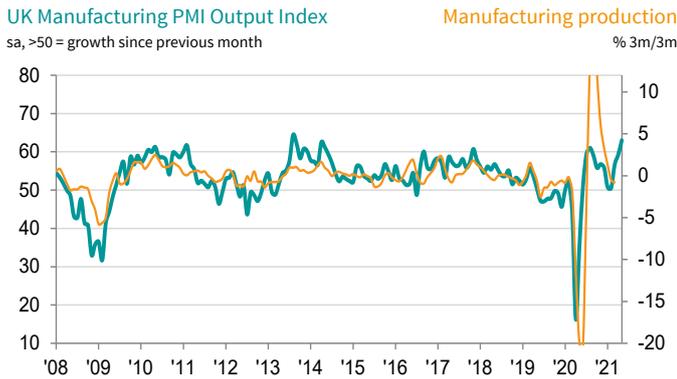
to reinvigorate their recruitment plans, leading to a record increase in staffing levels at manufacturers.

Pressure also built on suppliers, with the average time taken to deliver inputs to manufacturers lengthening to one of the greatest extents in the survey history. This was linked to input shortages (especially electronics, plastics and metals), transport delays and higher demand for raw materials.

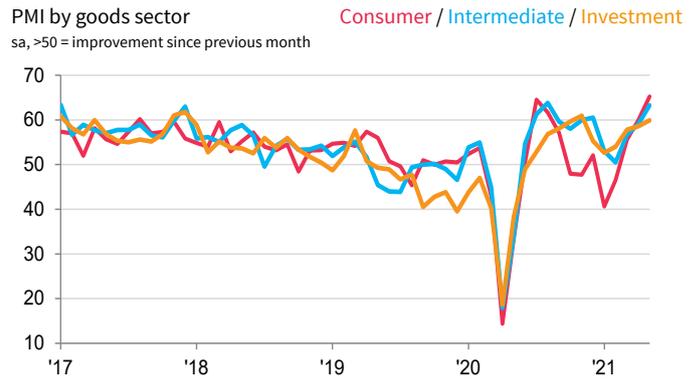
Shortages of raw materials and supply-chain disruption fed through to input costs during May, leading to the sharpest rise in purchasing costs since the survey began in January 1992. This led manufacturers to increase selling prices, with the rate of inflation hitting a survey record.

Manufacturers' efforts to minimise the impact of supply-chain disruption led to a series-record increase in purchasing activity during May. Rising production needs, building-up safety stocks and guarding against further price rises also contributed to the latest increase in input buying volumes. Inventories of purchases also rose but stocks of finished goods declined as firms used inventories to help meet sales.

May saw business sentiment rise to its highest level since data on future activity were first collected in July 2012. Over 70% of companies forecast that production would be higher in one year's time, compared to only 3% expecting a decline. Improved optimism reflected the end of the pandemic, economic recovery, planned business expansions, a revival in World trade flows and reduced supply-chain issues.



Sources: IHS Markit, CIPS, ONS.



Sources: IHS Markit, CIPS.

## Comment

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

*“The UK PMI surged to an unprecedented high in May, as record growth of new orders and employment supported one of the steepest increases in production volumes in the near 30-year survey history. Growth is being boosted by the unlocking of economies from COVID restrictions and ongoing vaccination programs. This is being felt across the globe, as highlighted by a record rise in new export business during the latest survey month.*

*“The corollaries of this strong upsurge in industrial activity are increased strain on supply chains and a build-up of price pressures. Supplies of inputs into manufacturers and finished goods on to clients are both being severely disrupted by raw material shortages, port issues, COVID restrictions, post-Brexit difficulties and market forces as demand outstrips supply. Suppliers’ delivery times subsequently lengthened to one of the greatest extents on record, while input costs and selling prices both rose at unprecedented rates. With little sign of supply pressures receding, these price rises will become more visible to consumers.”*

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

*“A month of survey records, as the manufacturing sector not only held its ground, but increased its share of productivity for the UK economy with higher levels of orders, job creation and optimism.*

*“Leading the way to this growth was continuing strong domestic demand but the level of export orders was a high point with a return from European, US and Far Eastern customers growing pipelines at the highest levels since at least 1996. The ongoing boost in job numbers was an attempt to build capacity to meet this surge as backlogs increased steeply and delivery times grew to unsustainable levels, pulling back on further progress in fulfilling orders.*

*“The march of the makers has turned into a sprint as the blocks of lockdowns have been removed, but we haven’t seen this level of price inflation on materials for decades. Supply chain managers anticipate a continuing squeeze on deliveries and are forward buying and building stocks, so we may not have seen price peak yet. This means bigger inflationary pressures for the wider economy and the country’s place in international trade as prices charged also rose at record rates.”*

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 12-25 May 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).