

# United Kingdom

## Struggling factories weigh on economic growth

- **Manufacturing output down 1.9% on a year ago in March, the largest fall for almost three years**
- **Industrial production up 0.3% in March, but down 0.4% in Q1**
- **PMI points to steepening rate of decline in April**

UK factory output disappointed in March, confirming that the sector acted as a drag on the wider economy in the first quarter. Furthermore, worse may be to come in the second quarter.

Industrial production rebounded in March but failed to fully recover from the downturn seen in recent months, according to data from the Office for National Statistics. Despite a 0.3% increase in March, production was 0.4% lower during the first quarter as a whole compared with the final three months of 2015. Manufacturing output rose 0.1% in March, but was down 1.9% on a year earlier, its biggest slide for almost three years. Manufacturing was also down 0.4% over the first quarter as a whole, due mainly to a 0.9% decline in February.

The disappointing March data nevertheless leave the first quarter economic growth estimate unchanged at 0.4%, with the weakness in March being offset by upward revisions to growth in February.

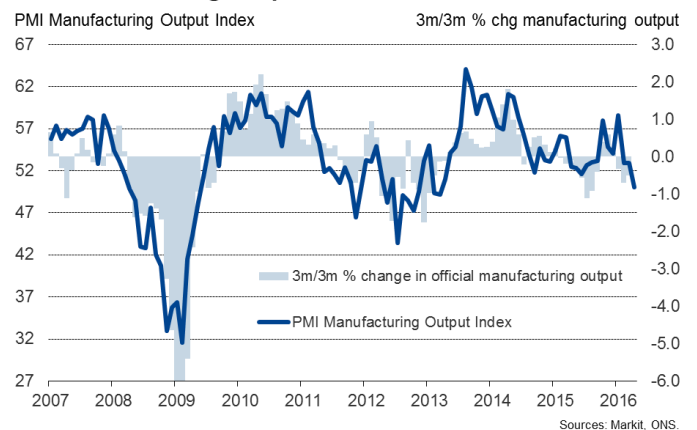
However, the downward trend in industry looks to have intensified at the start of the second quarter, with the Markit/CIPS Manufacturing PMI dropping to its lowest level for over three years in April. The survey found that companies not only faced a fourth successive monthly drop in exports but also a slowdown in growth of demand from domestic customers.

The survey data suggest that producers are being squeezed by a combination of weak global demand as well as waning sales in the home market, the latter in some cases linked to decision making and purchases by customers being affected Brexit uncertainty.

The goods-producing sector therefore looks to be on course to act as a drag on the economy again in the second quarter, contributing to a slowing in economic

growth to near-stagnation. PMI surveys of manufacturing, services and construction point to GDP rising at an equivalent quarterly rate of 0.1% in April. Growth could be even weaker if the surveys disappoint in coming months, which seems probable given the intensifying uncertainty over the outcome of the EU referendum.

### UK Manufacturing Output



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