

# United Kingdom

## Manufacturers enjoy solid start to what's expected to be a boom year

- **Manufacturing output grows 0.4% in January**
- **Outlook Survey shows producers' expectations for the year ahead are the highest on record**

A better than expected January sets the scene for what may be a boom year for UK manufacturers.

Manufacturing enjoyed a strong start to the year, according to official data, and new survey evidence indicates that the year as a whole may be one of the best that goods producers have seen in recent history.

With export markets picking up, domestic demand buoyed by a surge in construction, rising business confidence and increasing consumer spending, as well as Bank of England pledging to keep interest rates at record lows into 2015, manufacturers are expecting a boom year.

Manufacturing output grew more than expected in January, according to the Office for National Statistics. Production rose 0.4% compared to expectations of a 0.3% rise, taking output 3.3% higher than a year earlier.

The wider measure of industrial production grew a more disappointing 0.1%, up 2.9% on a year ago, but that was because oil and gas extraction was hit by the bad weather seen during the month.

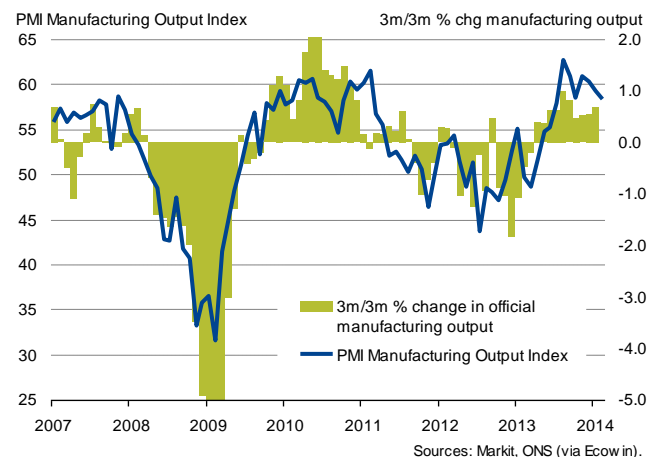
### Boom year ahead?

The data come a day after survey data showed the current mood among manufacturers to be the most optimistic that we've seen in recent times, especially in relation to the extent to which companies are set to boost their investment and hiring in response to the brightening outlook.

Markit's Business Outlook Survey, conducted in mid-February from the usual monthly PMI respondents, showed UK manufacturers were the most upbeat about the year ahead than at any time since survey data were first collected 12 years ago. Some 78% of manufacturers expect their activity levels to be higher in a year's time against just 4% expecting a decline.

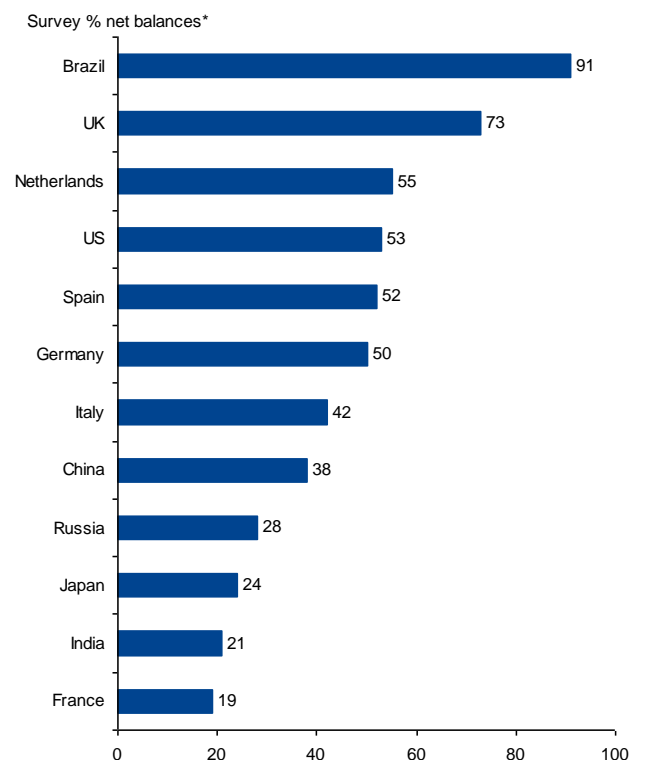
The survey data also indicate that manufacturers in the UK are more positive about the outlook for the year ahead than any other country surveyed with the sole exception of Brazil.

### Manufacturing output



### Markit Business Outlook Survey (February 2014)

#### Expectations of manufacturing activity in year ahead



\*% of companies expecting higher activity in a year's time minus % expecting a decline.

Source: Markit.

Even more encouraging in terms of the sustainability of the sector's revival is the outlook for investment, research & development expenditure and employment, all of which likewise jumped to new all-time highs.

Half of all companies surveyed expect their staffing levels to be higher in a year's time compared to only 9% expecting a decline. In terms of business investment, 45% see their expenditure rising over the coming year against just 9% anticipating a fall.

The monthly PMI data meanwhile showed manufacturing output growth slowing in February, slipping to the weakest since July. However, companies in part attributed the slowdown to the adverse weather that affected parts of the country during the month. The rate of growth remained surprisingly strong given the disruptions to logistics.

The weather-related nature of the weaker data in recent months and the buoyant outlook survey suggest that we should see manufacturing staging a further revival in coming months, extending the current hiring spree and helping drive a long awaited upturn in business investment.

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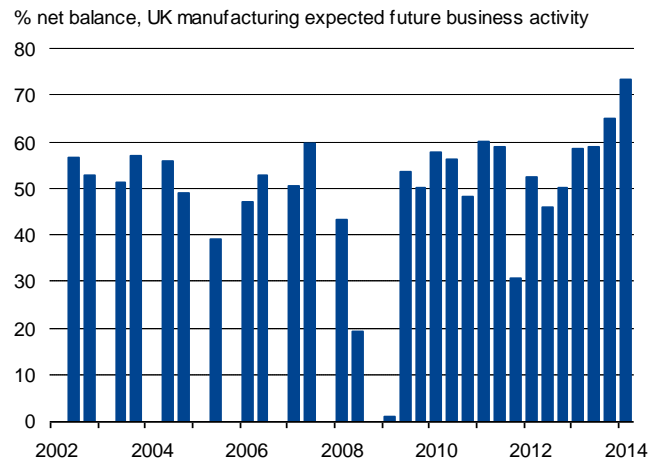
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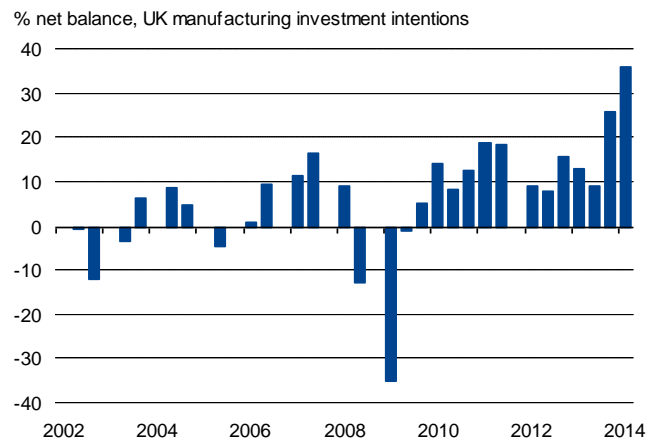
**Business Outlook Survey**

**Future business activity**



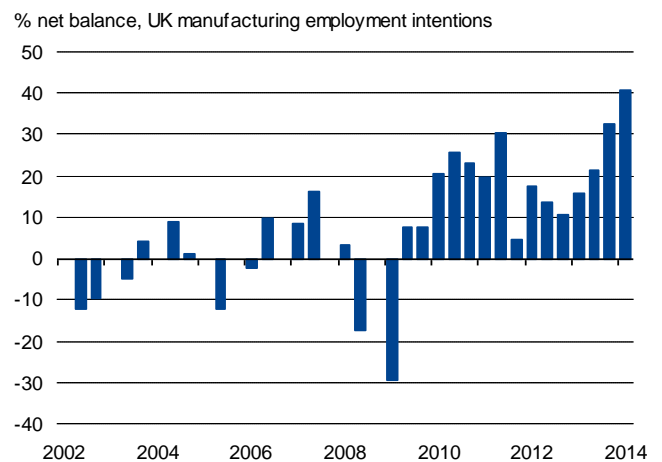
Source: Markit.

**Future investment**



Source: Markit.

**Future employment**



Source: Markit.