

# United Kingdom

## Manufacturing kicks up a gear as PMI hits highest for over four years

- **PMI jumps to highest since August 2013**
- **Rising exports accompany buoyant domestic orders**
- **Demand for business equipment rises at fastest rate in over two decades**
- **Job creation at rate rarely exceeded in past 25 years**
- **Factory gate price inflation accelerates to one of highest rates seen over past six years**

The latest PMI survey data showed production growth kicking higher in UK factories in November, leading to faster job gains but also higher prices.

The headline PMI rose from 56.6 in October to 58.2, its highest since August 2013. The details showed that output growth accelerated markedly to its second-highest in three-and-a-half years, fuelled by the largest monthly influx of new orders for four years.

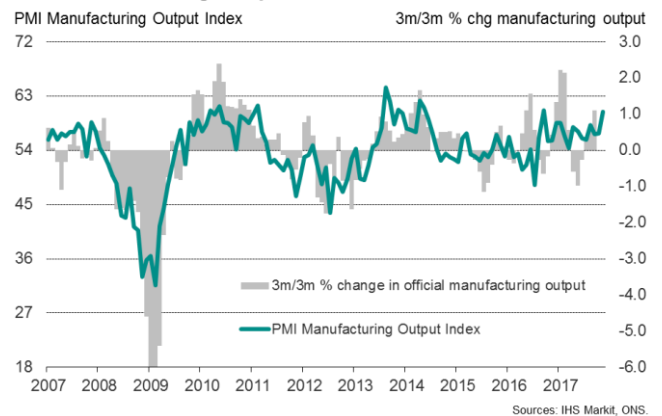
Export orders showed one of the greatest monthly increases seen over the past six-and-a-half years, indicating that robust economic growth in key trading partners such as the eurozone is helping to counter any adverse effect of the recent strengthening of the pound.

Domestic demand also provided a major stimulus to production, with an especially-encouraging upturn in new orders for capital equipment, such as plant and machinery, which points to rising domestic investment spending. November saw the largest monthly rise in new orders for these investment goods for over two decades.

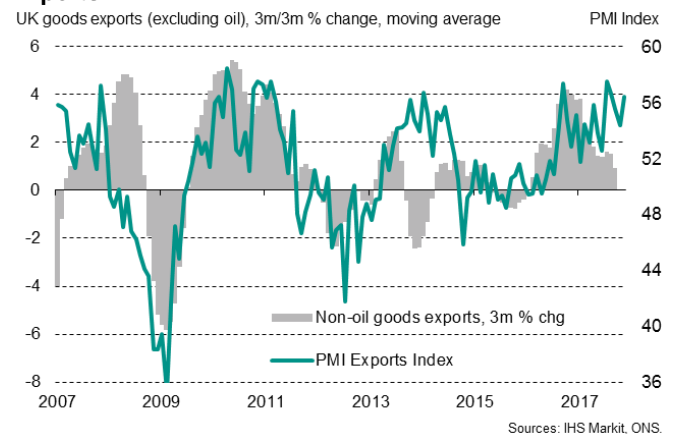
The PMI investment goods new orders series correlates well with official (ONS) data on business investment but is available well before official data are published. The recent upturn therefore indicates that investment growth has picked up markedly in the fourth quarter so far.

The survey also brought welcome news on employment, with manufacturing jobs being created at the fastest pace since June 2014, and a rate that has rarely been exceeded in the survey's 25-year history.

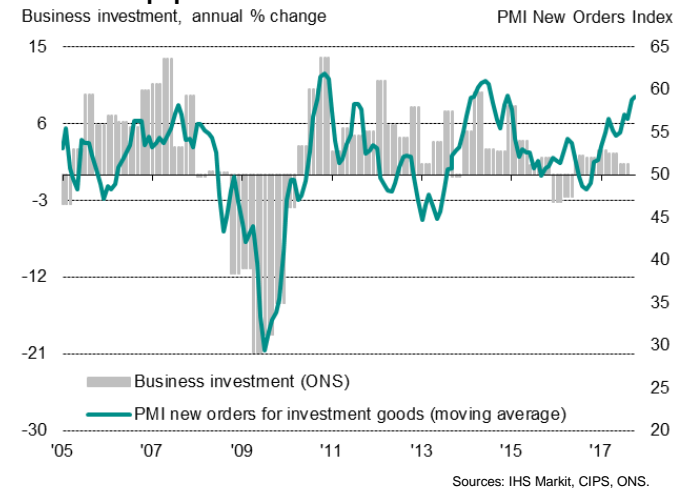
### UK Manufacturing Output



### Exports



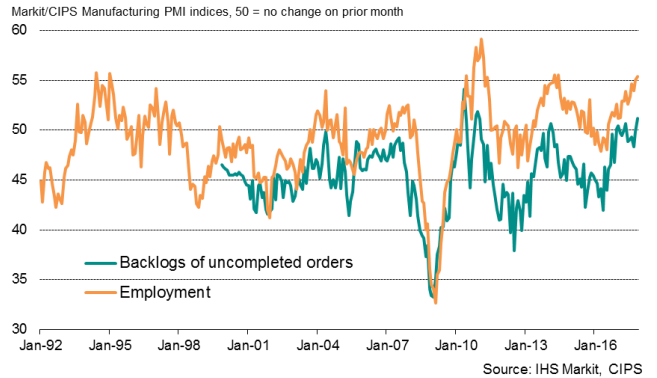
### Business equipment orders and investment



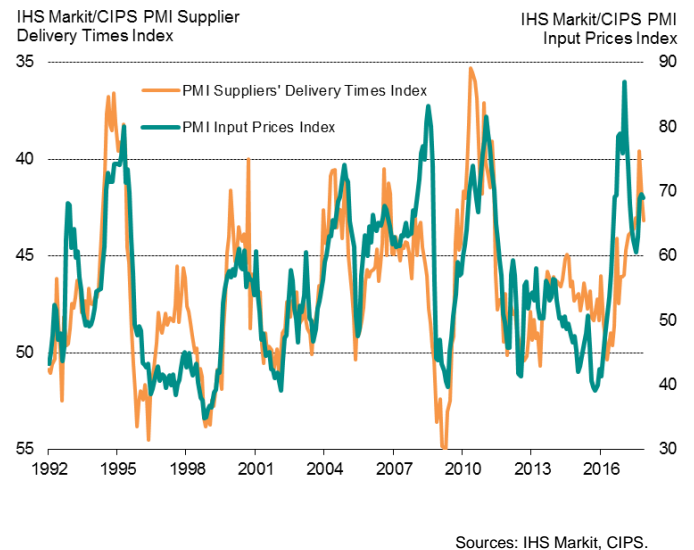
Jobs were created mainly to help fulfil rising order books: the survey showed the largest rise in backlogs of uncompleted orders since January 2011, underscoring signs of a current lack of capacity relative to demand.

Manufacturers have also seen supply-chain constraints and rising demand for raw materials overtake exchange rate effects as the most common cause of price increases, illustrating how strong demand is creating a sellers' market for many goods. Factory gate price inflation rose to one of the highest seen over the past six years, albeit remaining below peaks seen earlier in the year.

### Manufacturing backlogs and employment



### Input prices and supply constraints



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