

# United Kingdom

## Pre-Brexit record stockpiling buoys factories, but supply chain shift signalled

- **PMI rises to 13-month high on pre-Brexit preparations and record stock-building**
- **Larger firms see greatest boost**
- **Producers of intermediate goods report further steep export loss**

UK manufacturing reported a surge in production and stock-building in March as companies prepared for Brexit, but also indicated a further switching of supply chains out of the UK by European customers.

While the manufacturing upturn may temporarily lift economic growth in the first quarter, longer term downside risks have increased: the temporary boost will likely move into reverse and EU supply chains could continue to divert away from the UK, depending of course on the Brexit developments in coming months.

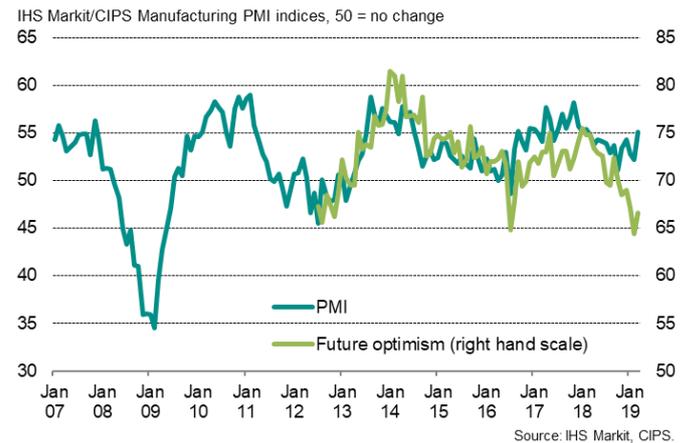
### Brexit stockpiling intensifies

A marked upturn in the pace of manufacturing growth was indicated the headline IHS Markit/CIPS UK Manufacturing PMI rising from 52.1 in February to 55.1 in March, its highest since February of last year.

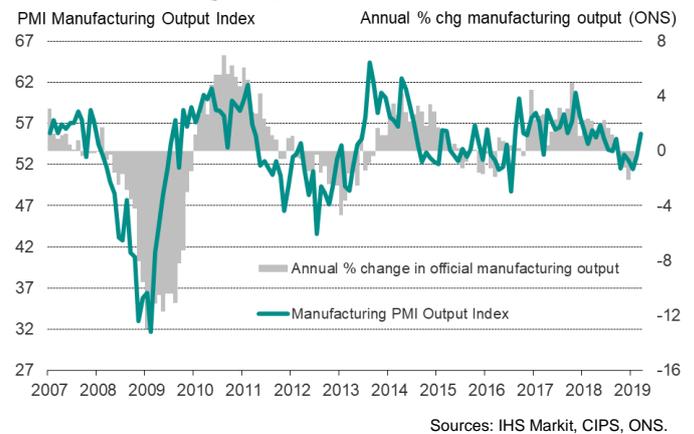
Key drivers of the upturn were the largest monthly rise in factory output since May of last year and by far the biggest jump in firms' inventories ever seen over the 27-year history of the survey. However, both developments reflected firms and their customers stepping up their preparations for the UK's scheduled withdrawal from the EU, for which no agreed deal between the UK and EU was yet in place during the period of data collection.

The survey's output index rose to a ten-month high with around one-in-three companies reporting increased production against one-in-six reporting a decline. Historical comparisons with official data from the ONS suggest that the March reading is indicative of manufacturing output growing at a quarterly rate of approximately 0.5%, providing the first positive growth signal since last November.

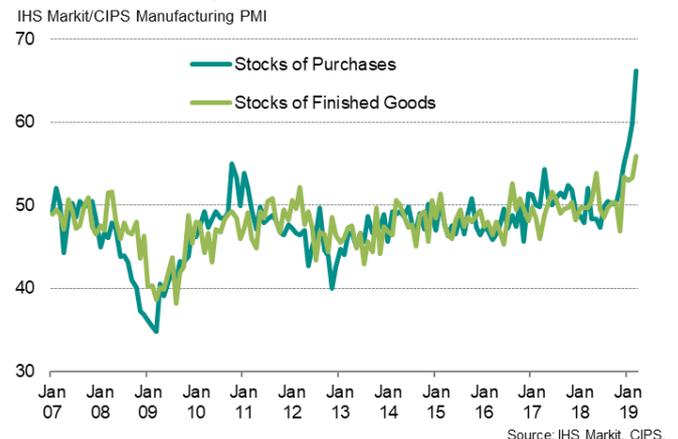
### UK Manufacturing PMI and Business Expectations



### UK Manufacturing Output



### UK Manufacturing Inventories





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