



The British Constructional Steelwork Association Limited

Unit 4 Hayfield Business Park, Field Lane, Auckley, Doncaster DN9 3FL

Telephone: 020 7839 8566

Email: postroom@steelconstruction.org

Website: www.steelconstruction.org

Information contained in this Memo is for the exclusive use of BCSA member companies. This Memo and its contents should not be distributed or copied outside the BCSA Membership.

4 January 2022

ALL MEMBERS MEMORANDUM No 3 - 22

UK MANUFACTURING PMI – DECEMBER 2021

Manufacturing upturn continues at end of 2021

The manufacturing sector saw further growth of production, new orders and employment at the end of 2021. Although a slight easing in supply chain delays helped lift output volumes and take some of the heat out of input price increases, logistic disruptions and staff shortages were nonetheless still stymieing the overall pace of expansion.

The seasonally adjusted *IHS Markit/CIPS Purchasing Managers' Index® (PMI®)* rose to 57.9 in December, little changed from November's three-month high of 58.1. The PMI has remained above the neutral 50.0 mark for 19 months.

The full *IHS Markit/CIPS UK Manufacturing PMI®* Report is attached.

Lorraine MacKinder
BCSA Marketing & Membership Administrator

IHS Markit / CIPS UK Manufacturing PMI®

Manufacturing upturn continues at end of 2021

Key findings

Output, new orders and employment all rise

New export orders fall for fourth month running

Selling price inflation hits fresh record high

Data were collected 6-20 December 2021.

The manufacturing sector saw further growth of production, new orders and employment at the end of 2021. Although a slight easing in supply chain delays helped lift output volumes and take some of the heat out of input price increases, logistic disruptions and staff shortages were nonetheless still stymieing the overall pace of expansion.

The seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index® (PMI®) rose to 57.9 in December, little-changed from November's three-month high of 58.1. The PMI has remained above the neutral 50.0 mark for 19 months.

Output rose across the consumer, intermediate and investment goods sectors during December, with the overall pace of expansion improving to a four-month high. Increased output was underpinned by rising intakes of new business, as domestic market conditions continued to strengthen.

The trend in new export business remained negative, however, as inflows of new work from overseas dropped for the fourth month in a row. This mainly reflected a steep decrease at consumer goods producers. In contrast, export demand for UK capital goods rose at the quickest pace since August. Manufacturers indicated that logistic issues, Brexit difficulties and the possibility of further COVID restrictions (at home and overseas) had all hit export demand at the end of the year.

Manufacturing employment increased for the twelfth successive month in December, with the rate of jobs growth staying close to November's three-month high. Companies

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



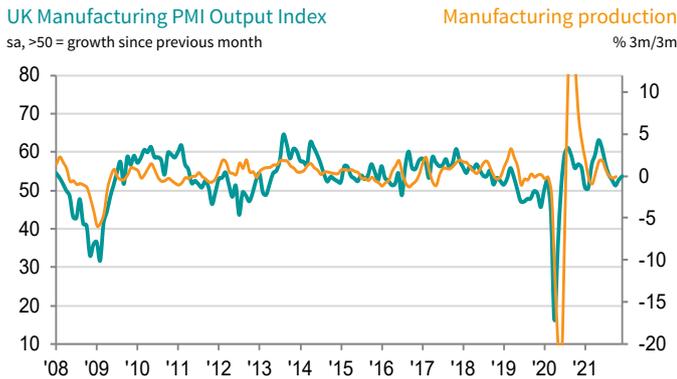
Sources: IHS Markit, CIPS.

linked this to meeting improved demand, rising backlogs of work and efforts to address staff shortages. Capacity remained under strain, however. This was highlighted by a further increase in outstanding business, although the pace of expansion in work-in-hand volumes eased sharply to its lowest since February.

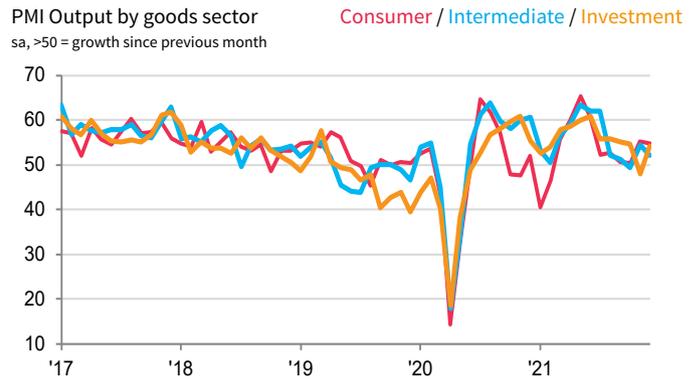
Companies maintained a positive outlook at the end of 2021. The majority of firms (63%) forecast that production would increase over the coming 12 months, compared to only 6% anticipating a contraction. Optimism reflected expectations of renewed global economic growth, planned investment and hopes for less disruption caused by COVID-19, Brexit and supply chain issues.

Inflationary pressures remained elevated in December. The rate of increase in factory gate selling prices accelerated to a fresh series-record high, as companies passed on (at least in part) rising costs to their customers.

December saw a further substantial increase in average input prices, with the rate of inflation staying among the steepest seen in the survey history. There were reports of higher costs for chemicals, electronics, energy, food products, metals, timber and wood. Freight, shipping and air transportation costs were also higher, while ongoing supply disruptions, raw material shortages and issues relating to Brexit and COVID-19 also led to higher prices paid.



Sources: IHS Markit, CIPS, ONS.



Sources: IHS Markit, CIPS.

Comment

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

“UK manufacturing production rose at the quickest pace in four months in December, supported by increased intakes of new work, efforts to reduce backlogs of work and higher employment. While the uptick in growth is a positive step, the upturn remains subdued compared to the middle of the year, as supply chain constraints and weak export performance constrained attempts to raise production further. Manufacturers indicated that logistic issues, Brexit difficulties and the possibility of further COVID restrictions (at home and overseas) had all hit export demand at the end of the year.

“Although supply chains remain severely stretched, there are at least signs that the situation is stabilising, with vendor delivery times lengthening to the weakest extent for a year in December. This helped take some of the heat out of input price increases, but cost inflation remained sufficiently steep to necessitate the sharpest rise in factory gate selling prices on record. With restrictions and Omicron cases both rising, the growth and inflation backdrops could change again in the early part of 2022.”

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

“On the surface there wasn’t much of a change in the sector compared to last month but there was plenty to put manufacturers on edge about their prospects for the coming year.

“Purchasing by supply chain managers was at a four-month high as businesses tried to beat another near-record inflation rate for raw materials and ordered ahead of time in the hope of defeating future setbacks. Delay fears remained as supplier deliveries remained under pressure albeit to the least severe extent since December 2020. On the plus side, optimism remained positive as manufacturers were buoyed up by the strongest pipelines of new work driven by UK customers and employment levels rose for the twelfth consecutive month to meet demand.

“We can’t lose sight of the fact that the UK economy took a significant hit and new variants and potential lockdowns threaten to impede much needed progress but at least the sector ended the last quarter of 2021 on a surer footing.”

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.

Contact

Joanna Vickers
Corporate Communications
IHS Markit
T: +44-207-260-2234
joanna.vickers@ihsmarkit.com

Trudy Salandiak
Corporate Communications
CIPS
T: +44-1780-761576
trudy.salandiak@cips.org

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.

Survey dates and history

Data were collected 6-20 December 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 0.0 (0.4 in absolute terms).

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2022 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please contact joanna.vickers@ihsmarkit.com. To read our privacy policy, click [here](#).

About CIPS

The Chartered Institute of Procurement & Supply (CIPS) is the world's largest procurement and supply professional organisation. It is the worldwide centre of excellence on purchasing and supply management issues. CIPS has a global community of 200,000 in over 150 countries, including senior business people, high-ranking civil servants and leading academics. The activities of procurement and supply chain professionals have a major impact on the profitability and efficiency of all types of organisation and CIPS offers corporate solutions packages to improve business profitability. www.cips.org.

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.