

# UK manufacturing

## Manufacturers' renewed plight highlighted by falling exports and output

- Official data show 0.4% drop in manufacturing output in June
- Exports trend moves into decline for first time in two years
- PMI data suggest weakness will have persisted at start of Q3

Latest data from the Office for National Statistics showed a further deterioration in the performance of the UK manufacturing sector, confirming the downbeat news from recent business surveys.

Manufacturing output fell 0.4% in June, leaving production 2.1% up on a year ago, while the trade deficit for goods increased to nearly £8.9bn as exporters struggled in the face of weakened demand in key overseas markets. Looking at the latest three months compared to the previous three months, which provides a better guide to the underlying trend, exports fell 1.1%, registering the first decline since July 2009 and highlighting the possibility that the UK's export-led recovery has moved into reverse. Back in February, this rate of growth had surged to 7.4%.

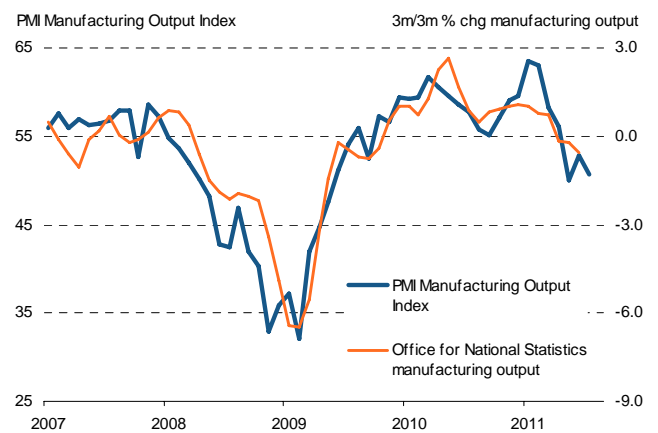
The weakening export trend, combined with sluggish sales in the struggling domestic market in recent months, has pushed manufacturing output 0.5% lower in the latest three months compared to the prior three month period, which is the weakest performance since September 2009.

These data therefore hit any hopes that the recent disappointing GDP figure for the second quarter could get revised up, and instead suggest the initial estimate of 0.2% growth could even be revised down marginally (overall industrial production rose 1.6% in the second quarter, lower than the ONS's earlier estimate of 1.8%).

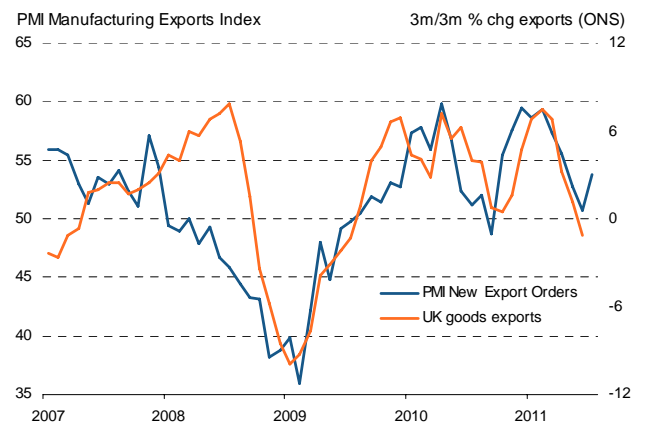
The fact that the official data are following the route mapped out by earlier business surveys also raises concerns that the official data on manufacturing output will head further south in July, which is clearly a sombre start to the third quarter as far as economic growth is concerned. It is too early to get a handle on

GDP growth for the third quarter, but it is clear that one of the principal drivers of the recovery has been lost.

### Manufacturing output



### Exports of goods



Sources: Markit, ONS.

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