

# UK Manufacturing PMI

## UK manufacturing contracts at fastest pace since early-90's recession

- **UK manufacturing output falls at fastest rate since early-1990's recession.**
- **Manufacturing workforce cut at rate of 100k per quarter.**
- **Consumer goods inflation falls sharply.**

The CIPS/Markit UK Manufacturing PMI® plummeted to 34.4 in November, its lowest reading since data were first compiled in January 1992. The deepening of the downturn was without precedent in the survey history.

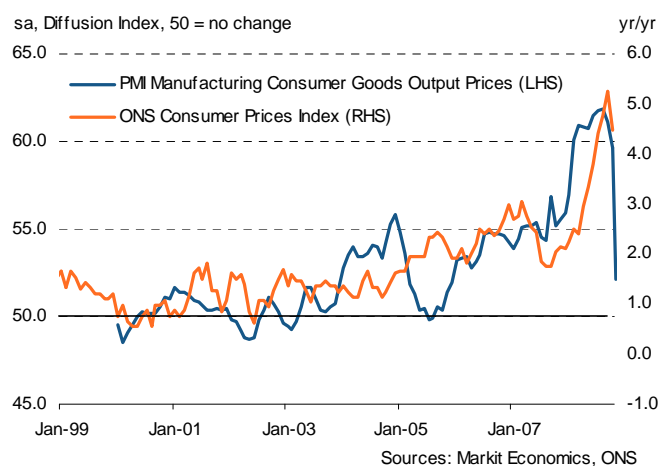
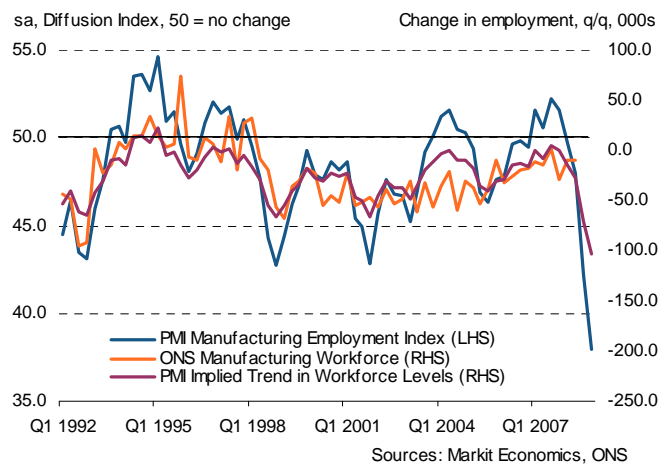
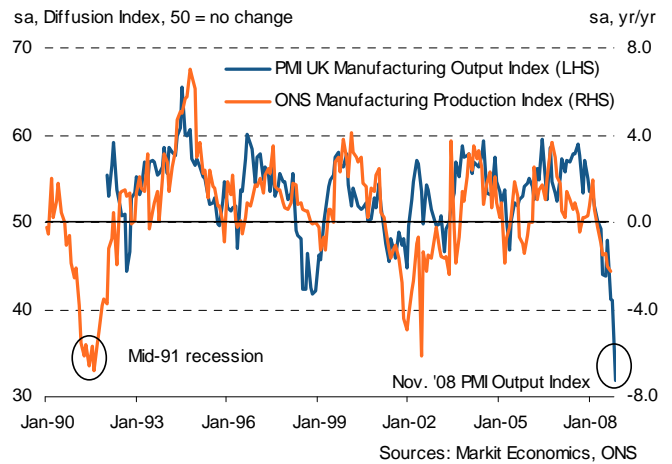
The top chart shows the PMI Manufacturing Output Index is consistent with official (ONS) manufacturing output falling at an annual rate of 6%–7%, the fastest rate of contraction since the recession in mid-1991.

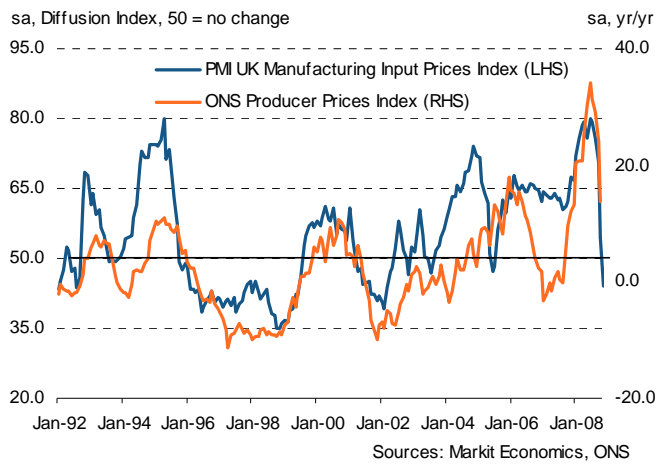
The weakening performance of the manufacturing sector is having a noticeable impact on the labour market. The average PMI Employment Index reading so far in Q4 2008 is consistent with a fall in manufacturing workforce levels of around 100,000 during the October–December period (see middle chart). This would also be the sharpest decline since the early 1990s.

Recent PMI releases have pointed to a marked reversal of inflationary pressures in the manufacturing sector. November saw the Input Prices Index fall sharply to a six-and-a-half year low (see chart on page 2) and has accurately tracked the marked deceleration in purchase price inflation signalled by ONS data since mid-2008.

Meanwhile, the PMI Output Prices Index for the consumer goods producing sector (see chart bottom right) – which provides useful information on trends in headline consumer price inflation – is suggesting that the official measure of inflation will move down towards the Bank of England's 2% target.

Although the effects of recent interest rate cuts and changes in government fiscal policy would not have fully filtered through in November, the weakness of the PMI output, employment and prices measures suggests that further supportive policy may be necessary.





## Rob Dobson

### Senior Economist

Markit

Tel: +44 1491 418 695

Email: [rob.dobson@markit.com](mailto:rob.dobson@markit.com)

For further information, please visit [www.markit.com](http://www.markit.com)

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