

## Round up

### UK Manufacturing PMI not as low as expected

The UK manufacturing Purchasing Managers Index (PMI) has slumped to 47.8 following a promising score of 51.7 in February, a 10 month high. Although a score of 47.8 indicates a significant contraction, and a 3 month low, many will have expected a lower figure given the havoc that Covid-19 has wreaked on both the domestic and global economy. However, output has fallen the lowest since mid-2012, reflecting the cessation of production lines across the country.

The most shattering impact on these metrics has been on vendor lead times, reporting their highest level in the PMI's 28 year history, indicating that for as long as this survey has run, there has never been such a severe logistical slowdown.

Similarly, business optimism is now at a series-record low, with low market confidence and business closures both contributing to a bleak outlook.

Manufacturing  
PMI was

**47.8**

in March

### Inflation pumping the brakes

CPI inflation  
decrease to

**1.7%**

in February

After CPIH (Consumer Prices Index including housing costs) rose to its highest level in a year last month at 1.8%, we've seen the curtailment of that trend this month. The latest data published by the ONS at the end of March covers the month of February, and as such, will not be representative of how inflation is faring given the widespread European outbreak of Covid-19. Analysts will be anticipating the ONS's march inflation report that will be published towards the end of April.

A key factor in the reduction of the CPIH between January and February was the fall in the price of motor fuels. This fall was triggered the falling Brent Oil price, which has seen consumer fuel prices drop worldwide. Recording media, restaurants and hotels produced the largest positive offsetting effects on the inflation rate for the month of February.

### Eurozone manufacturing faring worse

The Eurozone PMI has fallen to its lowest level in just over seven and a half years. The reason for this phenomenal drop can be almost entirely contributed to the sudden impacts that Covid-19 has had on the European manufacturing base. As of writing, the coronavirus has been prevalent in countries in mainland Europe longer than it has been in the UK, perhaps giving us an insight into what the UK PMI may look like next month.

For example, Italy was one the first Eurozone countries to see a rapid propagation of the virus, and their manufacturing PMI for March was the lowest of any Eurozone country at 40.3, the lowest level recorded in Italy in just under eleven years. The Netherlands was the only Eurozone country to post a positive manufacturing PMI in March, albeit marginal, at 50.5.

Eurozone  
manufacturing PMI  
fell to

**44.5**

in March

### Jobs plummet as the pandemic takes root

Employment falls  
at the fastest rate  
since

**July  
2009**

With employment levels having just started to signal some recovery following uncertain hiring conditions in businesses caused by Brexit and political uncertainty, employment figures have now abandoned that recovery and have plummeted at their fastest rate since July 2009 in the month of March.

This extreme uptick in job losses is being driven by the ongoing global Covid-19 pandemic, significantly suppressing levels of production and new orders, in turn leading businesses to either furlough workers, or in many cases, make redundancies as companies struggle to stay afloat with the exceptional pressures on their cashflow.

## Economist's Comment

Many will have been keenly anticipating news of the UK's economic performance, with the country having so recently left the European Union. Only a couple of months ago, economists would guffaw at the prospect that the economic impact of the UK's exit from the bloc would pale in comparison to that of a flu-like virus, yet here we find ourselves now amidst the greatest economic crisis of a generation, both globally and in the UK.

Unprecedented measures have been deployed by government departments worldwide to mitigate the impact on both business and individuals, an effort to weather the storm in the hope that economies will be primed for recovery once the crisis has passed. The UK has put into motion one of the most generous job retention schemes in the world, with the government offering to pay employee's salaries up to £2500 a month. A critical intervention for many that would otherwise struggle to meet their liabilities and feed their families. Although eligibility for these schemes will be a fearsome caveat for some, as companies and individuals will need to ensure that criteria are met before any pay-outs are received, which will inevitably see some left by the wayside.

The Eurozone manufacturing PMI standing significantly lower than the UK equivalent with its unexpectedly moderate negativity was received as a bittersweet surprise on the data's publication on the 1<sup>st</sup> of April. Although, given that core Eurozone countries such as Italy and Spain have been impacted faster and to a greater degree than the UK so far, the relative gap in PMIs between the Eurozone and the UK could remain an omen of what is to come. As we stand in the UK, chief government scientists suggest that we still stand a way off the peak of the pandemic in this country, and as such, next month's PMI may paint a far starker picture of the havoc the virus is wreaking in the manufacturing sector.

## Data summary

	Period	Figure	Reference	Trend
UK GDP growth	2019 Q4	0%	q-on-q	↔
UK Manufacturing PMI (Index)	2020 Mar	47.8	index	↓
UK Services PMI (Index)	2020 Mar	34.5	index	↓
Eurozone Manufacturing PMI (Index)	2020 Mar	44.5	index	↓
Make UK Annual GDP Forecast	2020 Q2	-2.8%	y-on-y	↓
Make UK Pay Settlements	2020 Feb	2.5%	3m-on-3m	↔
Average earnings – manufacturing	2020 Mar	2.4%	3m-on-3m	↓
Average earnings – whole economy	2020 Mar	3.1%	3m-on-3m	↓
UK ILO Unemployment rate	2020 Mar	3.9%	%	↑
CPI inflation	2020 Mar	1.7%	y-on-y	↓
RPI inflation	2020 Mar	2.5%	y-on-y	↓
UK Consumer Confidence Index	2020 Mar	-34	index	↓
Index of Production	2020 Apr	0.1%	m-on-m	↑
Index of Manufacturing	2020 Apr	0.5%	m-on-m	↑
UK Trade - Goods balance (£billion)	2020 Mar	-0.16	Level	↑
Business Investment growth	2019 Q4	-0.5%	q-on-q	↑
Manufacturing Investment growth	2019 Q4	7.4%	q-on-q	↑
UK Debt to GDP level	2019 Q3	84.2%	GDP %	↔
UK Current Account Balance % of GDP	2019 Q4	-1%	GDP %	↑

Sources: ONS, Markit, GfK NOP and Make UK

[makeuk.org](https://www.makeuk.org)

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