

## Brexit stockpiling not necessarily a boon for UK growth

Brexit stock building boosted manufacturing activity at the end of 2018, but a lack of warehousing capacity means this might not translate into higher GDP growth



Source: istock

For the second month in a row, UK manufacturing conditions saw a modest improvement as firms continued to ramp up Brexit preparations. The manufacturing PMI now sits at 54.2, although it is clear this is being driven heavily by stockpiling of both input materials and finished goods. The question is – will this inventory building be a short-term boon for growth?

Well, there's little doubt that we will see more and more firms implementing 'no deal' Brexit preparations, given the current impasse in Parliament. A survey conducted a few weeks ago by the CBI found that only 41% of firms had carried out contingency plans at that point in time, suggesting that there is still quite a bit of scope for companies to take action.

However, there are a couple of reasons why we struggle to see this increased activity boosting growth in the short-term. Firstly, it's worth remembering that the manufacturing sector makes up a relatively limited share of economic output – around 10% of GDP. More importantly, warehousing is in relatively short supply, leaving firms with fairly limited scope to boost

inventories. Research by [Savills](#) last year found the vacancy rate for warehousing in London sits at just 3%.

With that in mind, we think the economy will struggle to regain momentum over the winter. We expect growth to slow to around 0.2/0.3% in both the fourth quarter of last year, and the first quarter of 2019.

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