

## Stockpiling boosts UK manufacturing, but can it last?

Despite a slight improvement in the manufacturing PMI, the challenges facing the sector are unlikely to fade over the winter



Source: iStockphoto

At 53.1, the picture painted by the November UK Markit/CIPS manufacturing PMI was fairly uninspiring - albeit a little better than last month. Interestingly, a slight rise in domestic new orders was the main driver of improvement, helped partly by 'client stock-building'. It's not immediately clear how much of this trend is down to Brexit, but we imagine at least some of it can be attributed to firms building up stocks as 'no deal' uncertainty rises. The question is - can this continue over the winter?

Certainly, it seems likely that we'll see greater signs of firms making contingency plans over the next few weeks, particularly if the government's deal is voted down in Parliament. Various surveys suggest that a large proportion of companies are yet to take firm action on Brexit. For instance, a recent CBI survey found that only 41% of firms had carried out some kind of contingency plans so far.

That said, it's hard to see how far manufacturing firms can go in terms of stockpiling goods/components ahead of March. Warehouse space is already extremely limited, partly because

of the growing prominence of internet shopping. According to [Savills](#), the vacancy rate in London is just 3%, and we suspect it is likely to be more constrained for specialist or perishable goods which have more specific storage requirements.

For this reason, we aren't convinced we'll see a pre-Brexit inventory boost to growth. Instead, we expect economic momentum to cool over the winter as wider investment stalls, and consumers become even more cautious. For manufacturing specifically, the external environment poses further challenges as Eurozone momentum slows and trade tensions remain elevated.

We don't expect the Bank of England to hike before May 2019, and there's a risk that this date might be pushed back further if the Brexit story goes to the wire.

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