

## UK manufacturers upbeat despite Brexit noise

Another strong PMI, but buoyant manufacturing sentiment hasn't yet translated into higher production



Source: iStockphoto

**56.9** UK manufacturing PMI  
(Previously 55.1)

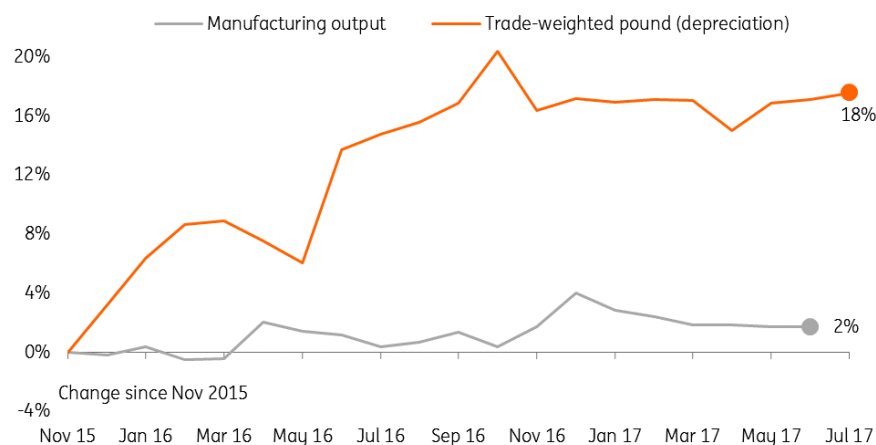
Another solid UK manufacturing PMI says that the combination of the weaker pound and stronger global demand are offsetting any uncertainty surrounding Brexit for producers. But despite this buoyant sentiment, these factors haven't so far translated into higher production. Since November 2015, the pound has depreciated by around 20%, but manufacturing output is only 2% higher.

It's possible this is just a delayed reaction, but it could also indicate that the actual impact of the weaker pound has been less pronounced than it might have been 10-20 years ago. The increasingly interconnected nature of global supply chains means exchange rate moves aren't the

only factor that matter. Logistical considerations and technical advantage often matter just as much, if not more, than price.

For the Bank of England, this all means the rebalancing of the economy away from weakening consumption to other areas doesn't appear to be materialising. With overall economic momentum slowing and signs of domestically generated inflation proving hard to find, we think the first BoE rate hike is still some way off.

## Manufacturing hasn't responded to the weaker pound



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