

## 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)

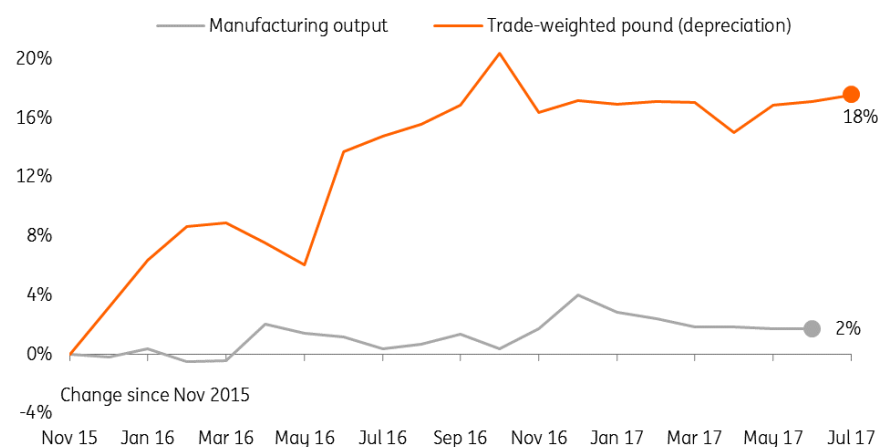
Another solid UK manufacturing PMI says that the combination of the weaker pound and stronger global demand are offsetting any uncertainty surrounding Brexit for producers. But despite this buoyant sentiment, these factors haven't so far translated into higher production. Since November 2015, the pound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



## Author

**James Smith**

Developed Markets Economist

[james.smith@ing.com](mailto:james.smith@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and

which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.