

British Manufacturing Maintains Growth in Domestic Orders and Output

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The recovery in British manufacturing continued apace in the last quarter, with faster growth in domestic orders and output, according to the latest CBI quarterly Industrial Trends Survey.

The survey of 481 firms reported robust growth in orders in the three months to July. Total order book growth edged up on last quarter's 19-year high, whilst domestic orders rose at their fastest pace since 1988, although export orders were flat. Numbers employed in the manufacturing sector also continued to rise strongly.

Firms are upbeat about the next quarter, with expectations for total new orders growth at their strongest since 1977, and export orders set to rebound.

Looking to the year ahead, manufacturers' plans for investment in product and process innovation are at their strongest since 1989, with robust plans for spending on plant and machinery, and buildings. The number of firms investing to expand capacity reached a record high (since 1979).

However, the proportion of firms concerned that political and economic conditions abroad may limit export orders rose sharply to a five-quarter high.

Katja Hall, CBI Deputy Director-General, said:

“The recovery in the manufacturing sector is keeping a good pace.

“Industry is performing well as orders and hiring are on the up, and investment intentions for the year ahead are looking healthy across the board.

“It is not all plain sailing however, and there are still risks to the recovery. These include increasing international political instability, and the recent rise in sterling, which could be weighing on exports. We need to continue to help manufacturers to export their products to high-growth markets across the globe, to give a healthy and sustainable boost to the UK's recovery.”

Key findings “ three months to July 2014:

- 41% of businesses reported an increase in total orders, and 17% a decrease, giving a balance of +24%, the highest since April 1995 (+27%)
- The balance for new domestic orders (+23%) was the highest since July 1988 (+25%), but export orders (0%) were flat, following growth in the three months to April (+16%)
- 33% of manufacturers said employment numbers were up, and 12% said they were down, giving a balance of +21%, the highest since January 1974 (+21%)
- 27% of firms said they were more optimistic about the general business situation than three months ago, and 9% less, giving a rounded balance of +19%
- 36% of businesses reported a rise in output volumes, and 13% a decrease, giving a balance of +23%
- Domestic and export price inflation was very subdued this quarter (-1% and -7% respectively), the latter at the lowest since April 2013 (-7%). Unit costs were broadly flat (+1%)
- Manufacturers' investment intentions compared with the previous twelve months improved for product & process innovation (+32%, the highest since October 1989 (+33%) and training (+27%). They also improved for buildings (-1%, up from -6%), and intentions for plant & machinery spending remain strong (+6%)
- The number of firms saying expanding capacity would be the main reason for investment over the next twelve months rose to 51%, a survey high
- The number of firms citing political/economic conditions abroad as a constraint on export orders in the coming three months (39%) rose to its highest since April 2013 (39%).

Key findings “ next quarter:

- 42% of manufacturers expect total new orders to increase, and 8% expect them to fall, giving a rounded balance of +33%, the highest since April 1977 (+38%)
- A rounded balance of +26% expect new domestic orders to rise (38% expect an increase, and 13% a fall), and +23% expect new export orders to go up (34% expect a rise, and 11% a fall)
- 39% of businesses anticipate a rise in output volumes, and 12% a fall, giving a rounded balance of +26%.
- 24% expect employment to increase, and 13% expect it to decline, giving a balance of +11%
- At -4%, expectations for growth in domestic output price inflation are subdued. Unit costs are expected to be flat (+1%).

Â This is good news for small manufacturers such as JS Burgess Engineering Ltd, a company which designs and creates stillages , based in the North West of England.