Confidence slumps to lowest level on record

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The PMI figures show that output fell at its fastest rate since July 2012, with the transport sector hardest hit

British factories suffered their sharpest fall in output last month since the eurozone debt crisis eight years ago as the coronavirus pandemic laid waste to manufacturing industries across Europe.

UK jobs were lost at the fastest rate since the global financial crisis, business confidence slumped to its lowest level on record and supply chains froze, according to the March manufacturing purchasing managers' index produced by IHS Markit and the Chartered Institute of Procurement & Supply.

Overall, output fell at its fastest rate since July 2012, with the transport sector, including car makers, hardest hit. The survey reading dropped from 51.7 in February to 47.8, where anything below 50 indicates contraction. That was slightly worse than the earlier "flash" estimate, which has been updated to include responses between March 20 and March 26, as the crisis intensified and plants closed.

Samuel Tombs, UK economist at Pantheon Macroeconomics, said: "Responses received between March 20 and 26 were consistent with a 41 output index, the lowest level since February 2009."

The survey was conducted between March 12 and March 26, which includes the days immediately after the prime minister, Boris Johnson, ordered a shutdown of much of the country's economy on March 23.

The Covid-19 outbreak threatens to plunge the global economy into its deepest recession in nearly a century. The International Monetary Fund has given warning that it will be "at least as deep" as the 2009 financial crisis.

The troubles in Britain's manufacturing sector were echoed across Europe. Germany's export-dependent factories saw the steepest decrease in output in almost 11 years, while both France and Spain saw manufacturing activity tumble at the fastest pace in seven years.

China, which was the first country to be hit by the virus and is two months ahead of the West, saw factory activity in March stabilise, with a reading of 50.1, according to the Caixin/Markit PMIs. Official PMIs on Tuesday had suggested a small recovery, with a reading of 52.

Restrictions on people's movement are taking a heavy toll on manufacturers. The pandemic has caused disruptions that have had a big impact on their supply chains.

"Vendor delivery times lengthened to the greatest extent in the 28-year survey history amid reports of input shortages, transport disruption and delays in receiving goods from overseas," the survey found. "International shipping and border delays were also mentioned."

"The effects were felt across most of manufacturing, with output falling sharply in all major sectors except food production and pharmaceuticals," Rob Dobson, a director at IHS Markit, said. "The transport sector, which includes already beleaguered car-makers, suffered the steepest downturn."

Seamus Nevin, chief economist at Make UK, the manufacturers' organisation, said: "Many firms have had to shut and lots of those that remain open have seen orders or output suffer. Others have switched to making products that are vital to the national attempt to stop the spread of the virus; a testament to why backing manufacturing is so important.

"With estimates suggesting up to a fifth of smaller firms could go out of business in the next few months, coronavirus has highlighted the need to maintain and develop our domestic manufacturing base. With expectations of further restrictions and economic disruption to come business optimism is at a record low and may continue to worsen in the months ahead."

To keep viable businesses alive, the government has announced tax cuts and grants worth tens of billions of pounds as well as £330 billion of state loan guarantees. The Bank of England has ramped up its bond-buying and cut interest rates to an all-time low of 0.1 per cent.

Mr Dobson said that the one silver lining from the PMI survey was that manufacturers expected to see output higher in a year's time.