

# Confidence among manufacturers slumps to lowest level on record

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Manufacturing activity in Spain fell at the fastest pace in seven years, with the transport industry hit hard



Factories in Britain have suffered their sharpest fall in output since the eurozone debt crisis eight years ago.

Jobs were lost in March 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 survey of manufacturing purchasing managers by IHS Markit and the Chartered Institute of Procurement & Supply.

Output fell, with the transport sector — which includes carmakers — hit hardest. The survey reading dropped from 51.7 in February to 47.8, below the 50 mark that indicates contraction. This was slightly worse than the earlier “flash” estimate, which did not include responses between March 20 and March 26, during which time the crisis intensified and factories closed. The survey was conducted between March 12 and March 26.

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

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 were echoed across Europe. Germany's export-dependent factories reported the steepest decrease in output in almost 11 years. Manufacturing activity in France and Spain fell at the fastest pace in seven years.

Factory activity in China, which is two months ahead of the West in terms of dealing with the virus, stabilised in March, with a reading of 50.1, according to PMIs published by Caixin/Markit. Official figures on Tuesday had given a reading of 52, suggesting a small recovery.

Restrictions on people's movements are taking a heavy toll on manufacturers' supply chains. According to the survey: "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. International shipping and border delays were also mentioned."

Rob Dobson, a director at IHS Markit, said: "Output [fell] sharply in all major sectors except food production and pharmaceuticals. The transport sector suffered the steepest downturn."

Seamus Nevin, chief economist at Make UK, the manufacturers' organisation, said: "Many firms have had to shut. 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 that 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 manufacturing base. Business optimism is at a record low and may worsen in the months ahead."

To keep viable businesses alive, the government has announced tax cuts and grants worth tens of billions of pounds and £330 billion of state loan guarantees. The Bank of England has cut interest rates to 0.1 per cent.

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