

News Release

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S&P Global / CIPS UK Manufacturing PMI®

Downturn in manufacturing continues at start of fourth quarter

Key findings

Manufacturing PMI at 44.8 in October

Output, new orders and employment decline

Business optimism dips to ten-month low

UK manufacturing contracted at the start of the final quarter, as October saw output, new orders and employment all decline. There were reports that difficult and uncertain market conditions led to increased caution among both manufacturers and their clients alike.

The seasonally adjusted S&P Global / CIPS UK Manufacturing Purchasing Managers' Index™ (PMI®) posted 44.8 in October, up from 44.3 in September but below the earlier flash estimate of 45.2.

All five of the sub-components included in the PMI calculation signalled a deterioration in operating conditions during October. Alongside lower new orders, output and employment, stocks of purchases also declined and suppliers' delivery times improved (traditionally a sign of weak demand).

Production fell for the eighth successive month in October, the most sustained sequence of unbroken contraction since 2008/09. Moreover, the rate of decline remained solid and was slightly sharper than in the prior survey month. There were reports of output being scaled back in response to client destocking and declining intakes of new work.

The start of the final quarter saw manufacturers buffeted by tough market conditions both at home and overseas. The total level of new business received decreased for the seventh straight month in October, albeit to a slightly weaker extent than in September. Meanwhile, weaker inflows of new work from Europe, mainland China and Brazil were the main factors underlying a twenty-first successive month-on-month decline in new export business.

The dual downturns in production and new work intakes led to increased caution among manufacturers during October. This was highlighted by further cut backs in purchasing activity, stocks of purchases and finished goods inventories, as companies adapted to current demand requirements, reduced their spending and protected cash flow.

UK Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-26 October 2023.

October saw manufacturing job losses for the thirteenth consecutive month. Although the rate of contraction eased slightly, it remained sharper than the average for the current sequence of decline. Signs of spare capacity at manufacturers contributed to the latest round of job cuts and also to a further reduction in backlogs of work. The level of work-in-hand (but not yet completed) has fallen throughout the past one-and-a-half years, with the latest decline among the steepest in the series history.

Although manufacturers maintained a positive outlook, business optimism retreated to a ten-month low in October. While over half (54%) of respondents expect output to rise over the coming year, 36% forecast broad stagnation with the remainder anticipating contractions. Concerns about consumer uncertainty, the cost of living crisis and tough market conditions contrasted with hopes raised by planned growth strategies, product launches and a possible revival in market conditions.

October saw price pressures decline, as input costs and output charges both decreased during the month. Purchase prices fell for the sixth month in a row, reflecting lower costs for board, energy, fuels, packaging, paper, pulp, steel and transportation. Market forces (especially weak demand) also played a role in reducing costs.

Selling prices meanwhile decreased for the fourth time in the past five months. Companies linked reduced output charges to passing on lower purchasing costs and weak market demand. Trends in price measures signalled that while medium and large sized manufacturers saw input costs and prices for finished products rise, both continued to rise at small-scale producers.

Comment

Commenting on the latest survey results, Rob Dobson, Director at S&P Global Market Intelligence, said:

“The UK manufacturing downturn continued at the start of the final quarter of the year, meaning the factory sector remains a weight dragging on an economy already skirting with recession.

“Production volumes contracted for the eighth consecutive month, the longest sequence of continual decline since 2008-09, as weak demand at home and overseas led to a further retrenchment of new order intakes. Companies are finding trading conditions difficult as they face headwinds from client destocking, market uncertainty and the impact of the cost-of-living crisis on consumer demand.

“Risks to the outlook remain skewed to the downside. Business optimism dipped to a ten-month low and manufacturers' increased belt-tightening drove cuts to employment, purchasing and inventories.

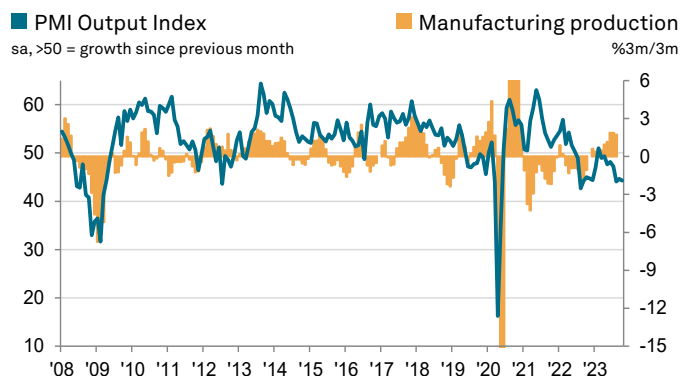
“Although both input prices and output charges fell in October, this brighter inflation outlook comes at the cost of increased recession risk, being a symptom of the broader weak demand malaise.”

Dr. John Glen, Chief Economist at the Chartered Institute of Procurement & Supply, said:

“With another contraction in manufacturing activity, any sustained optimism about the next 12 months amongst manufacturing companies was likely to be as a result of hope over the evidence.

“That’s because the UK economy remains in poor shape, and subsequently manufacturing production is experiencing its most sustained downturn since the recession of 2008/9. New order placements at manufacturing businesses dropped for the seventh month in a row, as demand from both domestic and overseas customers declined. Job losses continued as cuts in operational capacity seemed to be the only way for firms struggling to pay bills to keep their heads above water.

“An improvement in input costs, which fell for the sixth month in a row, and improved delivery times was not enough to boost the sector back into growth.”



Sources: S&P Global PMI, CIPS, ONS.

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Survey methodology

The S&P Global / CIPS UK Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 650 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in January 1992.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

Flash vs. final data

Since January 2006 the average difference between final and flash Manufacturing PMI values is 0.1 (0.4 in absolute terms).

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About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. www.spglobal.com/marketintelligence/en/mi/products/pmi.html

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