News Release

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S&P Global UK Manufacturing PMI®

Growth of UK manufacturing production and new orders hit two-year highs in May

Key findings

Manufacturing PMI at 51.2 in May

Output rises across all main sub-sectors and size categories

Business optimism springs to 27-month high

The UK manufacturing sector returned to growth in May, as output expanded at the quickest pace in over two years on the back of improved intakes of new work. The outlook also brightened as manufacturers' positive sentiment rose to its highest level since early-2022, with 63% of companies expecting output to expand over the coming year.

The seasonally adjusted S&P Global UK Manufacturing Purchasing Managers' Index™ (PMI®) rose to 51.2 in May, up from 49.1 in April, its highest reading since July 2022 but a tick below the earlier flash estimate of 51.3. The headline PMI has posted above the neutral 50.0 mark in two out of the past three months.

May saw manufacturing production expand at the quickest rate since April 2022, with the upturn broad-based by both sector and company size. All three product categories covered by the survey (consumer, intermediate and investment goods) and all three size definitions (small, medium and large) registered concurrent expansions for the first time in over two years.

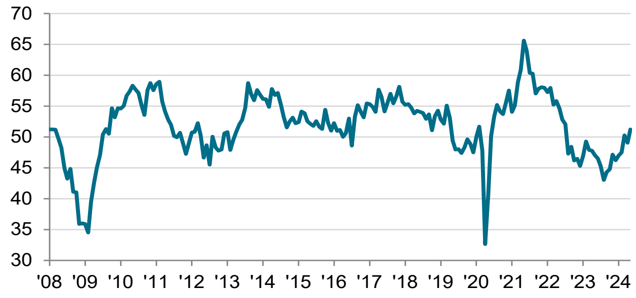
Output growth was underpinned by improved intakes of new work, stronger market conditions and efforts to complete existing contracts. The level of new business placed with UK manufacturers rose for the second time in the past three months and to the greatest extent since April 2022.

The upturn in demand was centred on the domestic market, as new export orders fell for the twenty-eighth month in a row. There were reduced inflows of new work from several trading partners, including the US, the EU (with specific mentions of Germany and Poland) and the Middle East. That said, the rate of contraction was the joint-weakest in the current sequence of decline (matching March 2022).

Business confidence improved in tandem with the recovery in current market conditions. Manufacturers reported the highest degree of optimism regarding the one-year ahead outlook for production volumes since February 2022. Positive sentiment was linked to hopes that continued economic recovery, promotional efforts and improved export orders

UK Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.
Data were collected 9-28 May 2024.

Comment

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

"May saw a solid revival of activity in the UK manufacturing sector, with levels of production and new business both rising at the quickest rates since early-2022. The breadth of the recovery was also a positive, with concurrent output and new order growth registered for all of the main sub-industries (consumer, intermediate and investment goods) and all company size categories for the first time in over two years.

"While the latest upturn was dependent on a strengthening domestic market, there were signs of overseas demand also moving closer to stabilisation. Business optimism rose in tandem with the improvement in current conditions, with 63% of manufacturers forecasting their output to be higher one year from now.

"The latest PMI survey data provided a mixed picture for price pressures at manufacturers, however. At the factory gate, output charge inflation strengthened for the fifth successive month and to its highest level in a year. That said, a solid easing in the rate of increase in input costs should help prevent price pressures from becoming embedded."

PMI® by S&P Global

would all support growth in the future. However, some firms also noted concerns about political and economic uncertainty (both at home and overseas).

Considerations relating to operating efficiency, cost management and lean production remained at the forefront of manufacturers decision making during May. Employment was reduced for the twentieth successive month, while inventories of finished goods and purchases were both depleted.

Input buying increased slightly during May, halting a 22-month sequence of reduced purchasing activity. Suppliers' delivery times lengthened for the fifth month running, mainly due to transportation issues such as the ongoing crisis in the Red Sea.

May saw average input costs increase for the fifth successive month, albeit to a lesser extent than in April. Manufacturers reported a wide range of items as up in price, including chemicals, metals, paper, polymers, pulp products and timber.

Sector data painted a mixed picture for trends in purchasing costs. While intermediate goods producers saw input prices rise at the quickest rate in almost one-and-a-half years, cost inflation eased sharply in the consumer goods category. The investment goods sector saw purchasing costs decrease for the first time in the year so far.

After strengthening in each of the past five months, May saw the rate of output price inflation hit its highest level in a year. Rates of increase accelerated in the consumer and intermediate goods sectors, but eased at investment goods producers.

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Survey methodology

The S&P Global 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.
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