

S&P Global UK Manufacturing PMI[®]

Manufacturing downturn worsens as PMI falls to nine-month low

Output contracts as new orders fall

Cost concerns lead to job cuts

Supply chain stresses increase

The UK manufacturing sector showed further signs of contraction in November, as output fell for the first time in seven months following the sharpest retrenchment in new order intakes since February. Ongoing concerns surrounding the economic outlook, costs and weak demand meanwhile led to cutbacks in staffing, purchasing and inventory holdings.

The seasonally adjusted S&P Global UK Manufacturing Purchasing Managers' Index™ (PMI[®]) posted a nine-month low of 48.0 in November, from 49.9 in October and below the flash estimate of 48.6. The PMI has registered below the neutral 50.0 mark in each of the past two months.

Four out of the five PMI components signalled a deterioration in business conditions during November (output, new orders, employment and stocks of purchases). Vendor delivery times lengthened, which registered as a positive effect on the headline PMI. However, in normal circumstances longer delivery times are driven by rising demand for inputs, a positive signal, whereas recent supply chain pressures have largely reflected externalities such as the Red Sea crisis, border regulatory issues (including Brexit related constraints) and North American port disruptions.

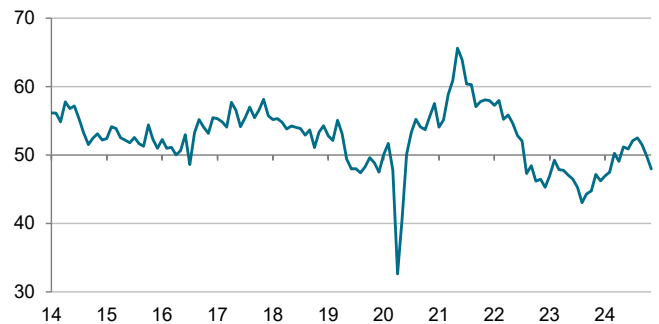
Manufacturing output declined in November, as weaker demand from domestic and overseas clients led to a scaling back of production volumes. Intakes of new business fell for the second month in a row, with the rate of contraction reaching a nine-month high. By far the sharpest drop in new work was seen in the intermediate goods industry, suggesting especially weak demand in the B2B sector. New work intakes also fell at consumer and investment goods producers.

Survey respondents linked the declines in output and new orders to delayed investment decisions, cutbacks to new projects due to domestic market uncertainty and rising geopolitical tensions. Some firms noted that announcements in the UK Budget had led to budgets being re-appraised at manufacturers and their clients alike.

Export conditions also remained tough during November. New orders from overseas contracted for the thirty-first month in a row, reflecting lower demand from the US, China, the EU and the Middle East. Regarding the EU market, there was specific mention of German demand weakness, especially from the auto industry.

Data broken down by company size suggested that small-

S&P Global UK Manufacturing PMI
Index, sa, >50 = improvement m/m



Source: S&P Global PMI. ©2024 S&P Global.
Data compiled 12-26 November 2024

Comment

Rob Dobson, Director at S&P Global Market Intelligence
“Conditions in the UK manufacturing sector deteriorated again in November. The headline PMI fell to a nine-month low as concerns surrounding the economic outlook, high costs and weak demand led to lower output, falling orders and cutbacks to purchasing, jobs and inventory holdings.

“The export climate also remained bleak, as weaker demand from the US, China and EU led to a further drop in new export business. While companies of all sizes are experiencing a downturn, small companies are the hardest hit, reporting especially marked drops in output, new orders and new export business.

“Meanwhile, supply chain worries have intensified as the combination of the Red Sea crisis, port disruptions and border regulation issues led to longer supplier delivery times, input shortages and rising costs. Input price inflation accelerated as a result. With recent budget announcements on labour costs and employer national insurance likely to raise costs further in 2025, and geopolitical tensions heating up notably around the threat of increased global protectionism, manufacturers are left facing an environment of high costs, low demand and raised uncertainty for the foreseeable future.”

sized manufacturers were being hit hardest during November. Small-scale producers saw the steepest declines in output, total new orders and new export business. Although medium and large-sized manufacturers also saw production and total new orders decline, rates of contraction were comparatively mild.

The outlook for the manufacturing sector remained positive overall in November. Over half of companies (52%, unchanged from October) forecast that production would rise over the coming year, compared to only 11% anticipating contraction (up from 8%). Planned expansions and diversifications, product launches, hopes for economic recovery and efforts to revive export demand were cited as reasons for optimism by UK manufacturers. That said, many remained concerned about rising geopolitical tensions, domestic politics and the impact of higher employment costs on future domestic demand.

Manufacturing employment fell for the second time in the past three months in November, with the rate of job losses the quickest since February. Cuts were linked to concerns over rising cost pressures and weak demand. These factors also encouraged manufacturers to cut back on purchasing activity and stock holdings as part of efforts to drive efficiencies, minimise costs and improve cash flow.

November saw a mild uptick in the rate of input price inflation, with manufacturers reporting higher costs for chemicals, energy, food products, metals, paper and timber. Increased freight costs, raw material shortages and the Red Sea crisis also contributed to rising price pressures. Selling price inflation eased to a nine-month low.

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.

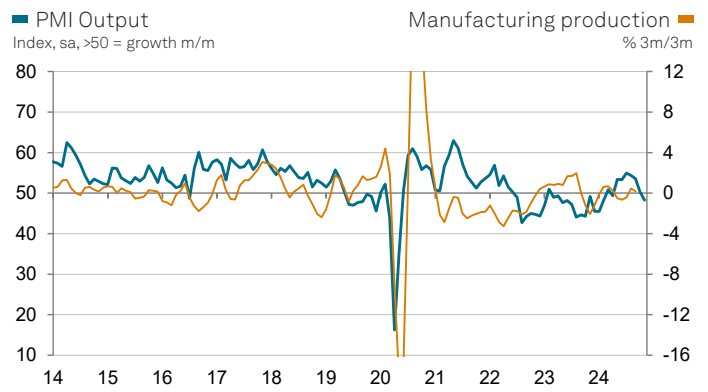
The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices. Since January 2006 the average difference between final and flash Manufacturing PMI values is 0.1 (0.4 in absolute terms).

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.

PMI by S&P Global

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



Sources: S&P Global PMI, ONS via S&P Global Market Intelligence. ©2024 S&P Global.

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