

News Release

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S&P Global / CIPS UK Manufacturing PMI®

Manufacturing downturn continues as output, new orders and employment fall further

Key findings

Intermediate goods remains weakest performing sector

Business sentiment dips to lowest since April 2020

Input price inflation eases to three-month low

November saw the UK manufacturing sector contract further, as companies reported lower output, weaker new work intakes and reduced employment. The intermediate goods sector fared especially poorly, while downturns also continued at consumer and investment goods producers.

The seasonally adjusted S&P Global / CIPS UK Manufacturing Purchasing Managers' Index® (PMI®) edged up to 46.5 in November, from 46.2 in October. The PMI remained below the neutral 50.0 mark for the fourth month running and posted one of its lowest levels during the past 14 years.

Manufacturing production contracted for the fifth successive month, linked to reduced inflows of new business, supply chain disruptions and ongoing shortages of numerous components on international markets. The rate of contraction was slightly sharper than in October.

November also saw the total intake of new work decline, as manufacturers experienced weaker demand in both domestic and overseas markets. Subdued client confidence and high cost inflation continued to stymie efforts to raise sales volumes.

With client demand retreating, stocks of finished goods accumulated at UK manufacturers' warehouses. The rate of increase accelerated to a 43-month record. Distribution delays and intentional stock-building also contributed to the latest rise.

New export business contacted at the quickest pace in two-and-a-half years, as demand from several trading partners – including the EU, China and the US – deteriorated. Exporters reported that client hesitancy and subdued global market conditions had contributed to the decrease. Some also noted that the impact was exacerbated by issues relating to Brexit and supply chain stresses.

The deteriorating outlook for output and new orders reined in manufacturers' optimism during November. Confidence

UK Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 11-25 November 2022.

dipped to its lowest level since April 2020, amid reports of recession fears, weak consumer spending and subdued client confidence. Manufacturers still expect production will grow over the coming year, with 44% forecasting expansion compared to only 18% anticipating a contraction.

Employment fell for the second month running, with the rate of job cutting the steepest in two years. Companies linked lower staffing to the downturn in new order intakes. Backlogs of work nonetheless fell at the fastest pace for over two-and-a-half years.

Data broken down by sector showed that intermediate goods was the weakest performing product category, seeing by far the steepest drops in output, employment and new orders. Optimism in this industry was also at its lowest since expectations data were first collected a decade ago. Consumer and investment goods producers saw output and new orders contract, but also signalled job creation and modest improvements in business sentiment.

Purchasing activity was cut back sharply during November, reflecting elevated cost pressures, weak demand and still high stock holdings at some firms. Reduced demand for inputs also lessened the pressure on suppliers. Although vendor lead times rose for the forty-first month in a row, it was to the least extent since January 2020.

Input price inflation remained above the long-run survey average, despite easing to its second-weakest since the start of 2021. A vast array of inputs were reported as up in price, although survey evidence suggested that the direct and indirect impacts of high energy prices were particularly widespread. Part of the increase in costs was passed on to clients through higher selling prices.

Comment

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

“November saw a further contraction of the UK manufacturing sector, as weak demand, declining export sales, high energy prices and component shortages all hit industry hard.

“The outlook for the sector also darkened, as confidence among manufacturers fell to its lowest level since April 2020. Weak sentiment and declining intakes of new work led to job losses, a retrenchment in purchasing activity and an accumulation of finished goods inventory that will likely provide a further brake to output during the months ahead. Companies are also reporting rising recession fears, weak consumer spending and subdued client confidence.

“The trend in new export business was especially weak, as Brexit issues and supply chain stresses exacerbated the effects of a weakening global economic backdrop, leading to lower sales from the US, the EU and China. On a slightly more positive note, manufacturers saw a welcome easing in input price inflation. However, firms are still reporting that the direct and indirect impacts of high energy prices remain a major concern.”

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

“A lethal cocktail of Brexit, logistics constraints, high costs and low demand contributed to the continued decline in manufacturing output in November which also fed into deteriorating job numbers for a second month in a row.

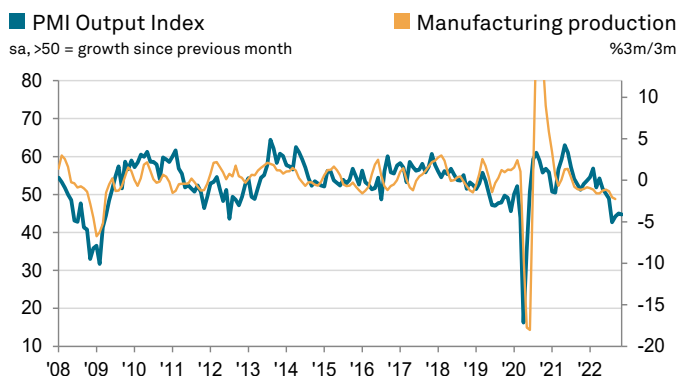
“Manufacturers reduced their operational capacity without the safety net of new pipelines of work as domestic and particularly export orders fell. Evaporating consumer confidence and fewer orders from previously strong markets such as the EU, US and China compounded the problem of a weakening marketplace.

“A depressing result for the country’s makers as optimism fell to its lowest since April 2020. One vestige of hope is that with stock levels rising at the fastest rate for over three and a half years, supplier deliveries to end consumers and other manufacturers should be much quicker once the economy starts to improve as pressure on delivery times was the least marked since January 2020.”

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Sources: S&P Global, 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@ihsmarkit.com.

Flash vs. final data

Since January 2006 the average difference between final and flash Manufacturing PMI values is 0.0 (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. ihsmarkit.com/products/pmi.html