

S&P Global UK Manufacturing PMI[®]

Manufacturing downturn continues as companies face weak demand, low confidence and rising costs

Manufacturing PMI posts 48.3 in January

Output, new orders and employment all contract further

Input price inflation hits two-year high

The start of 2025 saw UK manufacturing production, new orders and employment continue to contract, as companies faced weak market conditions at home and abroad. Cost burdens also swung higher, with input price inflation rising to a two-year high.

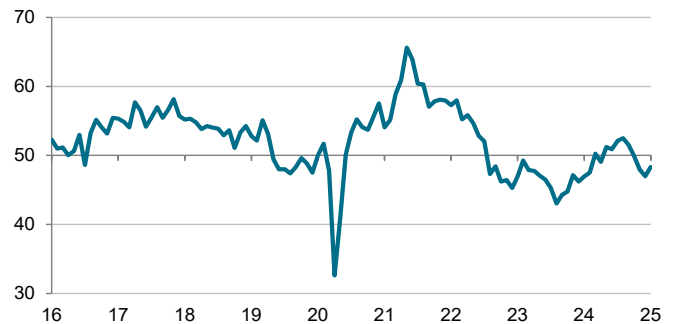
The seasonally adjusted S&P Global UK Manufacturing Purchasing Managers' Index™ (PMI[®]) posted 48.3 in January, up from December's 11-month low of 47.0. The PMI has signalled a deterioration in overall operating conditions in each of the past four months, with its level negatively impacted by four of its five components. Output, new orders, employment and stocks of purchases all declined, whereas average vendor lead times lengthened.

Manufacturing production fell for the third month in a row in January, albeit at the slowest pace during that sequence. Weak demand and lacklustre business and consumer confidence were the main factors underlying the latest scaling back of output volumes. The downturn was centred on the consumer goods industry where the rate of decline accelerated to its sharpest since December 2023. The investment and intermediate goods industries were brighter spots, seeing output return to growth for the first time in three and four months respectively.

The level of incoming new business decreased for the fourth straight month in January. There were reports that changes to minimum wage legislation and employer national insurance (NI) contributions announced in last year's Budget were raising concerns about costs and reducing confidence, leading to cutbacks in non-essential expenditure at manufacturers and their clients alike. Conditions remained weak in both domestic and overseas markets at the start of 2025. New export business has now fallen throughout the past three years, with reports of lower intakes of new work from the EU and Middle East during the latest survey month.

Data on output and new orders broken down by company size signalled that the retrenchments in both variables hit small-sized manufacturers the hardest. Downturns were also signalled for medium-sized firms, whereas production and new order intakes moved back into expansion territory for large companies. A similar picture was painted for the labour

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



Source: S&P Global PMI. ©2025 S&P Global.
Data compiled 9-28 January 2025.

Comment

Rob Dobson, Director at S&P Global Market Intelligence

"The start of 2025 has seen the downturn in the UK manufacturing sector continue. Factory output, new orders and employment all fell further in January as companies faced weak market demand, rising costs and a deteriorating outlook.

"The latest survey also suggests that this retrenchment is being hardest felt among small companies. Large-sized manufacturers fared better, seeing output and new orders recover during January.

"There nevertheless seems little scope for any imminent improvement in performance across the board. Demand conditions remain weak in both domestic and overseas markets, cost pressures are rising and will likely continue to do so as changes to the minimum wage and employer NI announced in last year's Budget feed through. Business optimism consequently remains close to December's two-year low, while input price inflation has spiked to a two-year high.

"A stagnant economy and rising cost burdens leave policy makers with a real dilemma, balancing the need for rate cuts to support flagging growth and a declining labour market against the need to contain inflationary pressures."

market, with rates of job loss steeper at small- and medium-sized firms compared to the cuts made in the large size category.

January saw the overall level of employment in the UK manufacturing sector decrease for the third successive month. Moreover, the rate of decline was the quickest for almost a year (since February 2024). There were reports of redundancy programmes, natural attrition and workforce restructuring being implemented to reduce costs. This process was often linked to changes to the minimum wage and employer NI announced in the Autumn Budget.

Signs of excess capacity and low levels of business optimism also contributed to the latest reduction to staff headcounts. Backlogs of work fell for the thirty-third month running, with small-sized manufacturers making the largest inroads into work-in-hand (although declines were also seen at medium and large companies).

Optimism amongst manufacturers remained at one of its weakest levels over the past two years, recovering only mildly from the 24-month low hit in December. Lacklustre sentiment was blamed on government policy, recession fears, rising costs, higher interest rate expectations and cutbacks to non-essential spending.

January saw a resurgence in price pressures, with input costs and output charges both rising at accelerated rates. Purchase price inflation hit a two-year high, with the steepest upswing at consumer goods producers. Increased costs reflected suppliers' raising prices to reflect their own cost increases, material shortages and higher transportation costs.

Supply chains remained under duress in January. Increased shipping times, the Red Sea crisis, backlogs at ports, container shortages and regulatory issues all contributed to longer lead times.

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.

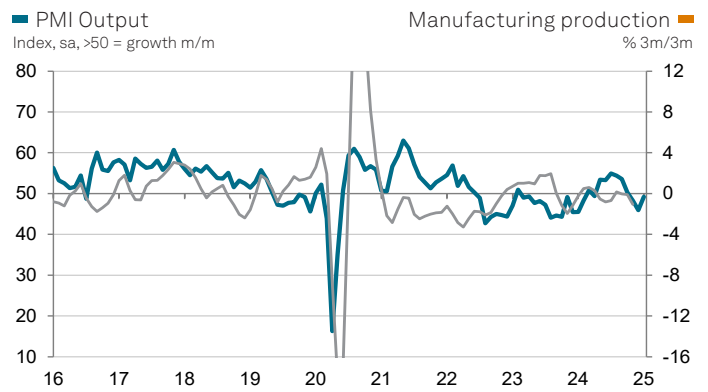
The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted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



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Contact

Rob Dobson
Economics Director
S&P Global Market Intelligence
T: +44-1491-461-095
rob.dobson@spglobal.com

Corporate Communications
S&P Global Market Intelligence
press.mi@spglobal.com

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