

S&P Global UK Manufacturing PMI[®]

Downturn in UK manufacturing output and new orders deepens, leading to steepest job losses since mid-2020

Manufacturing PMI at 14-month low of 46.9

Steepest job losses since mid-2020

Output and new orders fall at faster rates

The UK manufacturing sector continued to face tough operating conditions in February, as ongoing concerns about weak demand and rising cost pressures led to deeper downturns in output, new orders and employment.

The seasonally adjusted S&P Global UK Manufacturing Purchasing Managers' Index™ (PMI[®]) fell to a 14-month low of 46.9 in February, down from 48.3 in January but above the earlier flash estimate of 46.4. The PMI has remained at a sub-50.0 level, signalling contraction, for five months in a row.

Output contracted for the fourth month running in February, as manufacturers scaled back production in response to lower new order intakes, subdued client confidence (at both businesses and consumers) and supply chain issues. Companies faced weaker demand from both domestic and overseas clients.

The home market was mainly downbeat due to a combination of rising cost pressures, an associated lack of willingness to spend among customers and the impact of policy changes announced in last year's Autumn Budget. New export business meanwhile fell at the quickest pace in a year, amid reports of reduced new order intakes from Brazil, Europe (with specific references to Germany), the Middle East and the USA. Overseas market conditions were reported to be generally quiet overall.

The weakness signalled by the latest figures was widespread, with all three of the sub-industries covered by the survey (consumer, intermediate and investment goods) seeing production, new business and foreign demand decline. Consumer goods was the worst performing sector overall, registering the steepest drops in all three of those variables.

The deepening downturn at manufacturers filtered through to the labour market in February, with the latest data signalling the steepest cut to employment in the sector since May 2020. Staffing levels have now fallen in five out of the past six months. The latest round of job losses reflected weak demand, cost control initiatives and restructuring in response to changes in both the minimum wage and employer national insurance contributions (NICs). Companies responded by laying off temporary staff, reducing the hours of some employees, redundancies and the non-replacement of leavers

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



Data were collected 10-25 February 2025.
Source: S&P Global PMI. ©2025 S&P Global.

Comment

Rob Dobson, Director at S&P Global Market Intelligence

"February PMI data show UK manufacturers facing an increasingly difficult trading environment. Weak demand, low client confidence and rising cost pressures are accelerating the downturns in output and new orders, while the Autumn Budget's changes to the national minimum wage and employer NICs are driving up inflation fears and intensifying the downward trend in staff headcounts. The pace of manufacturing job losses is currently running at a rate not seen since the pandemic months of mid-2020.

"Cost and demand considerations also encouraged cutbacks to purchasing activity and stocks, as the tough economic backdrop placed manufacturers on an increasingly defensive footing. Input costs are rising at the fastest pace for over two years, as suppliers front load expected increases in their own wage and NIC costs. Factory gate selling price inflation has also hit a 22-month high. This combination of absent growth and rising prices will contribute to a growing dilemma for the Bank of England over the coming months."

and retirees. Losses were seen across small (fastest rate of decline for 56 months), medium (ten-month high) and large sized enterprises (57-month high). The large size category implemented by far the steepest reduction of the three.

Cost and demand considerations were also the principal factors underlying the latest cutbacks to purchasing activity and stock holdings. Input buying volumes were reduced at the joint-quickest pace for a year (matching December 2024), while inventories of both purchases and finished goods were depleted. February also saw supply chains remain under duress despite weaker demand for inputs. Shipping delays (including the Red Sea crisis), vendor capacity issues, port disruption, customs delays and an increasing number of items being on back order were all cited as reasons underlying longer lead times from suppliers. Vendor performance has deteriorated in each of the past 14 months.

Underlying price pressures continued to climb in February, with rates of inflation in input costs and output charges both accelerating. Higher purchase prices were linked to suppliers front loading expected increases in their own costs (such as higher minimum wages and employer NICs), material shortages and general price inflationary pressures. Selling prices meanwhile rose to the greatest extent since April 2023, reflecting the pass through of current and expected cost increases to clients, higher staff costs and increased tax burdens.

Business optimism rose to a six-month high in February. Improved sentiment was attributed to investment spending, marketing initiatives, new products and projects, planned diversifications and hopes economic conditions would strengthen.

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.

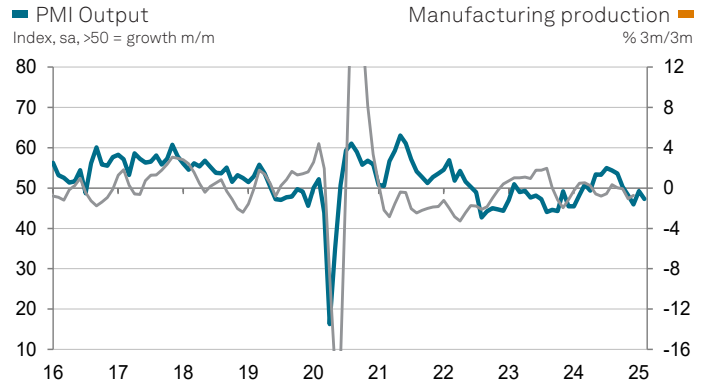
The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted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