

News Release

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S&P Global / CIPS UK Manufacturing PMI®

UK manufacturing downturn eases in November

Key findings

Manufacturing PMI at 47.2 in November

Downturns in output and new orders ease

Cost-caution leads to lower employment

November saw the UK manufacturing sector potentially turning a corner. Although production contracted for the ninth consecutive month, the rate of decline eased sharply to its second-weakest during that sequence. The downturn in new orders, although still solid, also slowed during the month. Manufacturers nonetheless remained on a cautious footing, with ongoing market uncertainty and the need to control costs leading to job losses, stock depletion and lower purchasing.

The seasonally adjusted S&P Global / CIPS UK Manufacturing Purchasing Managers' Index™ (PMI®) posted 47.2 in November, up from 44.8 in October, rising for the third successive month to its highest level since April. The PMI has still posted below the neutral 50.0 mark in each of the past 16 months.

November saw all five of the PMI components (new orders, output, employment, suppliers' delivery times and stocks of purchases) remain at levels consistent with a deterioration in operating conditions, albeit to lesser extents than in the prior survey month.

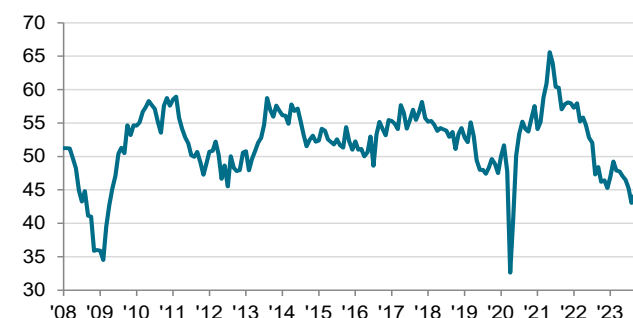
The downturn in production was led by manufacturers focussed towards business-to-business and capital spending. Intermediate goods output decreased at the sharpest pace in almost a year while investment goods production contracted for the seventh month in a row (but to the weakest extent during that sequence). Consumer goods output rebounded following four months of decline.

The main factors underlying the further scaling back of production were weaker domestic demand, decreased intakes of new export business and destocking at both manufacturers and their clients. Total new orders fell for the eighth successive month, while the downturn in new export business extended to 22 consecutive months.

Manufacturers linked weaker inflows of new business to a combination of client destocking, lost customers, market

UK Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 9-27 November 2023.

uncertainty, budget constraints and lower inflows of new work from both the public and private sectors. New export business was affected by strong international competition hurting sales to several overseas markets including mainland China, Europe and the US.

Business confidence edged higher in November, reflecting expectations that new product launches, economic recovery and a stabilisation of market conditions would support future output growth. Around 53% of companies forecast that production would increase over the coming year, compared to 10% expecting contraction.

Manufacturers remained cautious regarding the current situation, leading to an increased focus on efficiency gains and cost minimisation. Subsequently the levels of employment, input purchasing and stocks were all scaled back during the latest survey month.

Job losses were registered for the fourteenth successive month. Data broken down by company size indicated that cuts at medium- and large-scale producers were only partly offset by modest jobs growth at small-sized manufacturers.

Input buying activity was reduced for the seventeenth month in a row, in part reflecting intentional destocking. Inventories of inputs and finished products were depleted during November. In both cases, the falls were linked to efforts to protect cash flow and softer market demand.

Input costs continued to fall during November. A wide range of goods were reported as down in price including chemicals, energy, food products, metals, packaging, paper, plastics, pulp and timber. Despite the sustained reduction in input costs, manufacturers increased their selling prices fractionally as part of efforts to repair margins.

Comment

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

“Although the downturn in production eased sharply in November, the latest PMI report brings little festive cheer when the finer details are considered. With new order inflows and exports continuing to fall sharply, and clients destocking, a sustained meaningful growth revival still looks elusive. Manufacturers are preparing for tough times ahead, with their continued caution leading to cutbacks in staffing, inventories and purchasing.

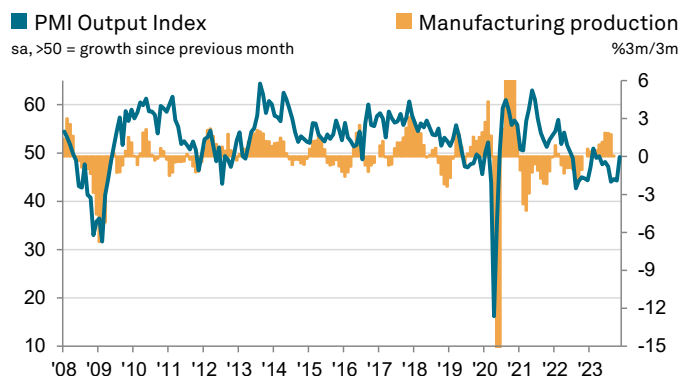
“The underlying sector dynamics further highlight how this combination of high uncertainty and low confidence is impacting performance. The latest scaling back of production was mainly driven by weak business-to-business and capital spending, as output and new orders contracted in both the intermediate and investment goods sectors. In contrast, activity posted a solid uptick at consumer-facing manufacturers.”

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

“Crawling upwards towards the no-change mark, the sector displayed some resilience as rates of contraction in output and new orders eased but overall conditions remain softer than hoped for as we move towards the end of 2023.

“A huge injection of uncertainty amongst customers meant new work fell for the eighth month in a row, as the UK economy continued along a fragile path unable to sustain solid marketplace activity. Orders from overseas were in an even more dire state and fell for the 22nd month.

“In stark contrast, optimism for the next 12 months showed a slight uplift as businesses hoped a new year could bring more stability and growth. However, other areas of concern include reduced spending on stock and also operational capacity as rising job losses signalled more difficult times ahead.”



Sources: S&P Global PMI, 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@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. www.spglobal.com/marketintelligence/en/mi/products/pmi.html

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