News Release
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S&P Global UK Manufacturing PMI®

UK manufacturing output, new orders and employment fall at faster rates in December

PMI falls to 11-month low of 47.0 in December

Job losses as rising cost pressures drive restructuring efforts

Business optimism dips to two-year low as economic outlook weakens

The downturn in the UK manufacturing sector deepened at the end of 2024, as December saw rates of contraction in output, new orders and employment gather pace. Destocking at clients, subdued market confidence and operational restructuring in response to forthcoming legislative changes hit output and demand and reinforced ongoing efforts to achieve cost efficiencies.

The seasonally adjusted S&P Global UK Manufacturing Purchasing Managers' Index™ (PMI®) fell to an 11-month low of 47.0 in December, down from 48.0 in November and below the earlier flash estimate of 47.3. The PMI has remained below its neutral mark of 50.0 – signalling deterioration – in each of the past three months.

Manufacturing production contracted for the second consecutive month in December, with the rate of decline accelerating to its fastest since January 2024. The downturn was widespread in nature, with similarly sharp rates of decline across the consumer, intermediate and investment goods industries. Although output was scaled back at SMEs and large-scale producers alike, the downturn was noticeably deeper at SMEs (a similar picture was painted with regard to new work intakes).

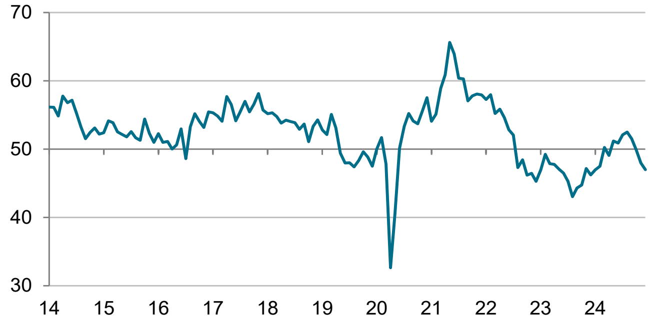
Lower production volumes mainly reflected subdued domestic market sentiment, customer destocking, efforts to prevent inventory building up at manufacturers' own warehouses and the impact of weaker demand from European clients. Total new business fell for the third straight month and at the quickest pace since October 2023. There was also some mention of some UK-based clients scaling back on purchasing in light of the higher cost environment, sometimes linked to restructuring operations in advance of forthcoming rises in labour costs and payroll taxes.

December saw the fastest reduction in overall export sales for ten months. Steep drops in foreign demand were registered in both the intermediate and investment goods industries, in contrast to a mild uptick in new export order wins at consumer goods producers. Where a decrease was reported, there was mention of lower order intakes from clients in Europe, Asia and the USA.

The current downturn and manufacturers' weakened outlook

S&P Global UK Manufacturing PMI

Index, sa, >50 = improvement m/m



Source: S&P Global PMI. ©2025 S&P Global.
Data compiled 5-18 December 2024.

Comment

Rob Dobson, Director at S&P Global Market Intelligence

"A stalling domestic economy, weak export sales and concerns about future cost increases led to the steepest contraction of UK manufacturing production for almost a year in December.

"Manufacturers are facing an increasingly downbeat backdrop. Business sentiment is now at its lowest for two years, as the new Government's rhetoric and announced policy changes dampen confidence and raise costs at UK factories and their clients alike. SMEs are being especially hard hit during the latest downturn.

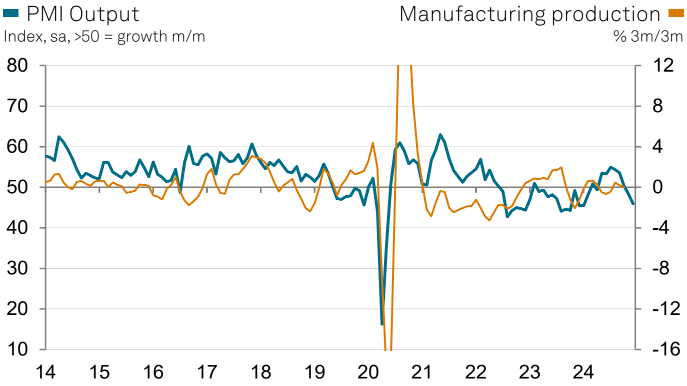
"This is sending a winter chill through the labour market. December saw the sharpest cuts to staffing levels since February. Some companies are acting now to restructure operations in advance of the rises in employer National Insurance and minimum wage levels in 2025. Global market conditions are also providing a growing headwind, with export sales hit by lower demand from Europe, Asia and the US.

"The survey price gauges edged higher, reflecting rising transportation, labour and material costs, in some cases due to supply chain stresses pushing up global market prices. With costs expected to rise again in early-2025 as the announced Budget changes come into actual effect, the Bank of England is likely to remain cautious about further interest rate cuts despite rising signs of economic difficulties."

for the economy had negative impacts on business confidence and employment during December. Optimism dipped to a two-year low, with sentiment declining across all three of the sub-sectors (consumer, intermediate and investment goods) and company size categories (small, medium and large) monitored by the survey. Manufacturers reported concerns about a lack of market confidence, inflationary pressures, rising costs (especially for employer NI and payrolls) and expectations of weaker economic growth looking ahead.

Manufacturing employment fell for the second month running, with the rate of job cutting hitting a ten-month high. Some firms noted that they were taking action in response to weak market conditions and that forthcoming increases in employers' National Insurance and the NMW\NLW had encouraged cutbacks to working hours and longer-term efforts to restructure workforces. Cost caution also led to a reduced level of input purchasing and intentional depletion of inventories of both inputs and finished products.

Purchase price inflation edged higher in December. Anecdotal evidence cited rising transport costs and raw material prices, as well as the pass through of higher employment costs by suppliers. There were also reports of rising global market prices, material shortages, taxes and currency fluctuations. Current and expected future cost increases led manufacturers to pro-actively raise their selling prices. Supply-chain pressures continued to build, as the ongoing Red Sea crisis and disruptions to shipping and at ports led to an increased incidence of delivery delays.



Sources: S&P Global PMI, ONS via S&P Global Market Intelligence. ©2025 S&P Global.

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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

S&P Global

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