

# UK manufacturing

## Manufacturing woes intensify in November

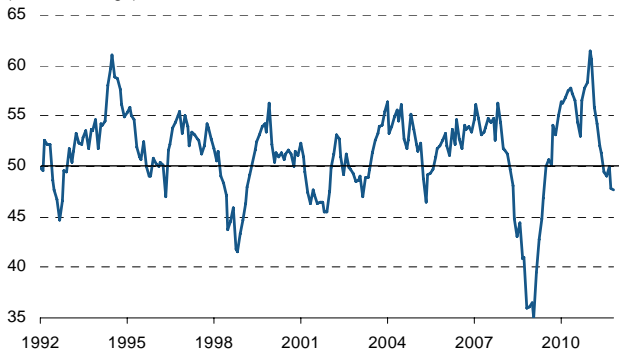
- **Business conditions worsen at fastest rate since June 2009**
- **Output, employment and inventories are cut as inflows of new orders fall for fifth successive month**
- **Input prices fall for first time in over two years**

The Markit/CIPS Manufacturing PMI® registered 47.6 in November, down from a revised<sup>1</sup> figure of 47.8 in October, to signal an increased rate of deterioration of business conditions. The PMI has fallen below the 50.0 no change level in four of the past five months, with the latest reading the lowest since June 2009.

Manufacturers cut output, employment and inventories as inflows of new orders fell for the fifth successive month.

### Markit/CIPS Manufacturing PMI

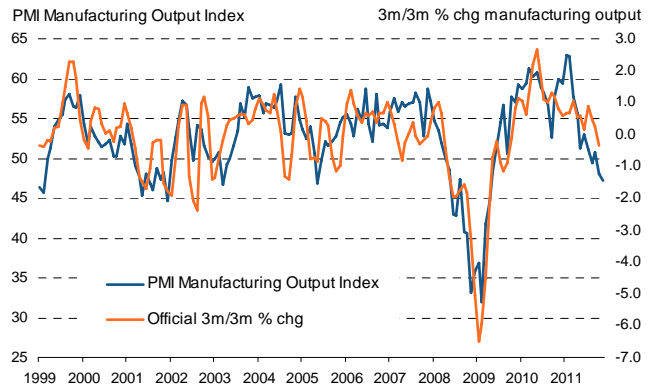
(50 = no change)



Production was cut at the fastest rate since April 2009, and the survey data are consistent with manufacturing output falling at a quarterly rate of approximately 1.5%. Such a steep rate of decline suggests that manufacturing looks set to act as a substantial drag on economic growth in the fourth quarter, contrasting with the 0.2% growth seen in the sector in the second and third quarters.

<sup>1</sup> Revisions reflect updated seasonal adjustment factors rather than changes to the survey raw data. October's PMI was previously stated at 47.4 and September's previous figure of 50.8 was revised down to 50.1

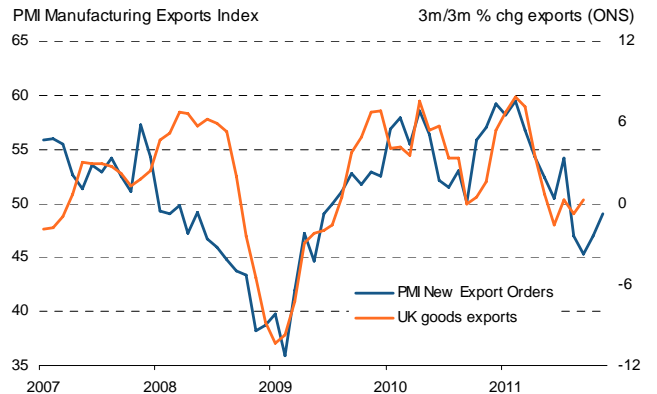
### UK Manufacturing Output



Sources: Markit, ONS.

New orders fell for the fifth month running, and have not shown any growth since April. The rate of decline eased from the 31-month high seen in October, but remained steep. The loss of orders primarily reflected weak domestic demand, as new export orders fell only slightly, registering the smallest decline seen over the past four months. The slower rate of reduction in export sales adds to hope that, despite the ongoing Eurozone financial crisis, overseas demand could still help support manufacturing growth in the face of domestic austerity measures, notably via increased sales to the US and Asia in coming months.

### Exports of Goods

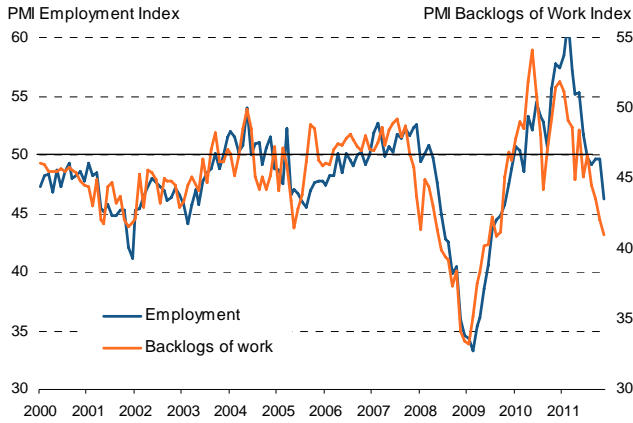


Sources: Markit, ONS.

In spite of the easing in the rate of loss of new orders, overall backlogs of uncompleted orders nevertheless fell at the fastest rate since August 2009, causing

producers to cut their payroll numbers at the fastest rate for just over two years in order to reduce capacity.

**Order book backlogs and employment**



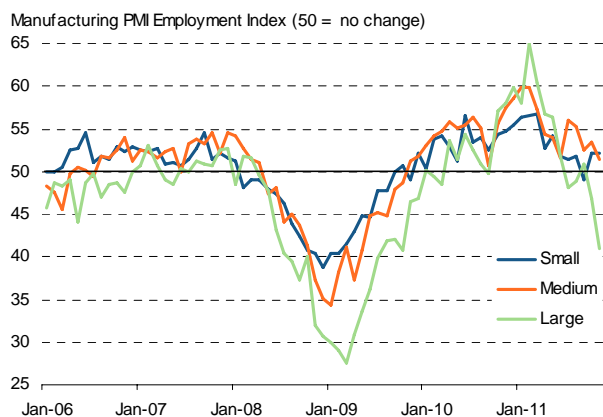
Staffing levels have fallen in each of the past five months, but the latest survey signals a significant acceleration in the pace of job losses. Comparisons with official data suggest that producers are now cutting staff numbers at a rate of approximately 15,000 per month.

**Manufacturing Employment**



Sources: Markit, ONS.

**Employment by company size**

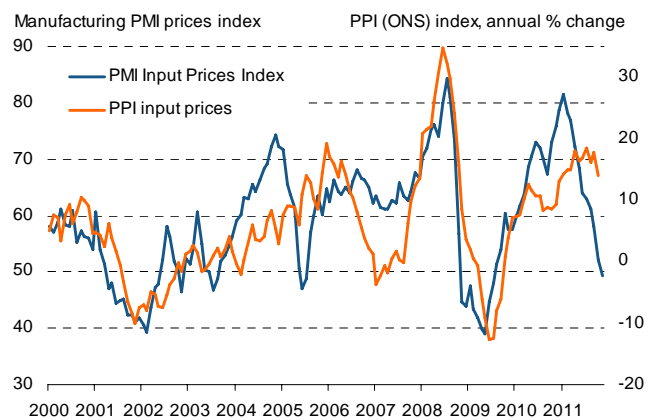


Job losses were centred on larger manufacturers, where headcounts fell at the fastest rate since October

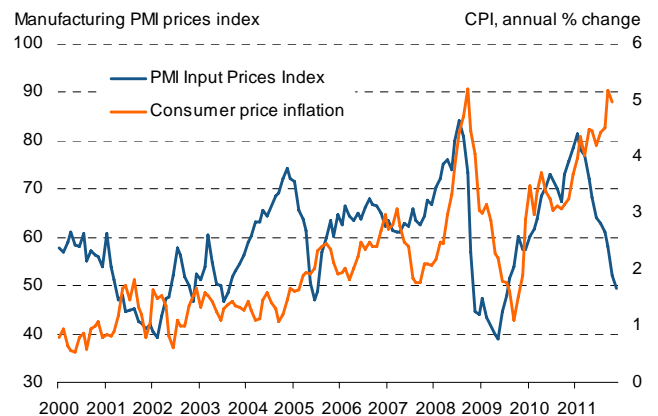
2009. In contrast, employment rose at small and medium sized companies.

The softening of demand was accompanied by lower pricing power. Manufacturers paid less for their inputs, albeit only marginally, for the first time in just over two years as a result. The survey data point to a sharp easing in industrial prices compared to the rapid rate of increase seen earlier in the year, which bodes well for consumer price inflation. The data add support to the view at the Bank of England that inflation, currently standing at 5.0%, will ease markedly in coming months.

**Producer prices**



**Consumer prices**



Sources: Markit, ONS.

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