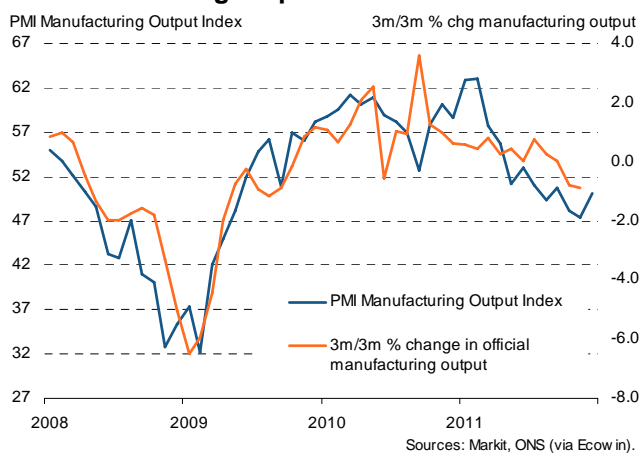


UK manufacturing

Manufacturing output trends down at steepest rate since September 2009

- **Manufacturing output contracted 0.2% in November, driving three-month rate of decline down to 0.9% (fastest since September 2009)**
- **Data consistent with economy stagnating in fourth quarter**

UK manufacturing output



More signs of the UK economy slipping closer to another recession appeared today with UK industrial production dropping 0.6% in November. Manufacturing dropped a more muted 0.2%, but over the three months to November both manufacturing and industrial production have contracted 0.9%, which is broadly in line with the signals from recent survey evidence from the Markit/CIPS PMI. The 0.9% rate of decline in the three-month rate of manufacturing output is the steepest seen since September 2009.

The PMI survey also suggests that manufacturing stabilised in December, as rising exports offset weak domestic demand. However, the sector nevertheless looks to have contracted over the fourth quarter as a whole, perhaps by as much as 1.0% or even more, acting as a significant drag on the economy. The data available so far indicate that the economy probably stagnated in the final quarter of last year as a result, with the manufacturing downturn offset by growth in the service sector.

Forward looking indicators suggest that we should not expect any improvement in the economy during the first quarter of 2012. Business confidence for the year ahead remains very subdued, largely due to ongoing uncertainty about prospects for the Eurozone and belt-tightening by domestic consumers, businesses and the public sector. Manufacturers may benefit from rising sales to markets such as the United States and emerging markets such as China, where there are some signs of strong growth appearing. But the big worry is the large Eurozone market, which accounts for around two-fifths of UK overseas trade and remains the biggest threat to the UK economy.

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