

Factory slump drags UK economic growth to 18-month low

UK private sector growth has slowed to a new 18-month low after factories were hit by “waning customer demand”, according to new data.

The closely followed S&P Global/[CIPS](#) flash UK composite purchasing managers index (PMI) report showed a reading of 50.9 for August, declining from 52.1 last month.

Anything above 50 is considered growth.

It was slightly below the expectations of analysts, with a consensus of experts compiled by Pantheon Macroeconomics predicting a reading of 51 for this month.

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Annabel Fiddes, economics associate director at S&P Global Market Intelligence, said: “The UK private sector moved closer to stagnation in August, as mild growth of activity across the service sector only just offset a deepening downturn at

manufacturers.

“Waning customer demand amid the weaker economic outlook, and shortages of both staff and inputs, were reported to have hit goods producers hard, with firms registering the quickest drops in output and new work since May 2020.”

The slowdown in overall growth was largely driven by a sharper slump in manufacturing output from UK factories.

The manufacturing sector reported monthly output of 42.4, representing the sharpest slump for more than two years.

Firms reported “reduced customer demand, the delayed delivery of inputs and labour shortages” for the month.

Meanwhile, the service sector remained in growth, with a 52.5 measure for August, despite a light softening of activity.

There are many concerns keeping private sector business owners awake at night

[John Glen](#), chief economist at the Chartered Institute of Procurement & Supply (CIPS), said: “Service companies had a better month, but only marginally as new order levels were sustained and optimism remained that customers would continue to buy throughout the year.

“However, this may reverse quite quickly.

“There are many concerns keeping private sector business owners awake at night, such as disruptions to supply chains from war, the highest inflation in the UK for almost 50 years, the impact of higher interest rates and now port disruptions in the UK, to name a few.”

Nevertheless, companies signalled a further easing in the rate of cost inflation.

Manufacturers reported that the rate of their cost inflation

slowed to the lowest since November 2020 as commodities such as metals came down in value.