Manufacturing industry shrinks at fastest rate in 11 months in ‘winter chill’

British factory output contracted at the fastest rate in 11 months in December, amid concerns about rising taxes on business from last year’s October Budget and a worsening global economy.

The S&P Global UK manufacturing PMI survey, watched closely by economists, recorded a reading of 47.0 in December, from 48.0 in November.

Any reading above 50 indicates that activity is growing while any score below means it is contracting.

Manufacturers said they were concerned about future cost increases, partly driven by rising taxes announced by Chancellor Rachel Reeves last year.

Manufacturers are facing an increasingly downbeat backdrop

Rob Dobson, director at S&P Global Market Intelligence

Companies will pay more in national insurance contributions (NICs) from April, while the minimum wage is also set to rise, which will make it more expensive to employ people.

Firms also cited a weakening global economic outlook, as exports fell due to lower demand in Europe, Asia and the UK.

Rob Dobson, director at S&P Global Market Intelligence, said: “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.”