

## UK Manufacturing Contraction Slows, but Market Pressures Persist

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The United Kingdom's manufacturing sector showed signs of a modest recovery in July, marking its strongest performance in six months despite continued economic headwinds. According to the latest figures from the S&P Global Purchasing Managers' Index (PMI), the sector's downturn eased further, although broader market conditions remain weak both domestically and internationally.

The S&P Global UK Manufacturing Purchasing Managers' Index (PMI) recorded a reading of 48.0 in July, a slight improvement from June's 47.7. Although still below the neutral threshold of 50, which separates expansion from contraction, the data suggests the rate of decline is slowing. Economists had anticipated a slightly higher reading of 48.2. This marks the ninth consecutive month of contraction, yet the figures provide cautious optimism for manufacturers who have endured prolonged pressure from rising costs and subdued demand.

Rob Dobson, Director at S&P Global Market Intelligence, commented that while factory output is approaching stabilisation and future expectations are at their highest since February, the sector has not yet returned to a trajectory of strong growth. "Clients in the home market often remain unwilling to spend due to cost factors such as higher minimum wages and employer National Insurance Contributions (NICs), while export markets are being buffeted by geopolitical stresses and trade and tariff uncertainties," he stated.

Surveyed manufacturers reported that market conditions were "subdued" in July, with new business declining at a faster rate compared to the previous month. Many businesses pointed to persistent economic uncertainty, elevated labour costs, and reduced consumer and business confidence as key factors dampening demand. Export orders continued to fall, with companies citing the ongoing impact of United States (US) tariffs as a primary concern.

The sector also experienced a further reduction in employment, driven by weak demand and increasing staff costs. July marked the ninth straight month of job losses within manufacturing, highlighting the challenges firms face in managing operational costs while navigating an unstable market environment.

Dave Atkinson, UK Head of Manufacturing at Lloyds Bank, acknowledged the difficulties but highlighted a note of resilience. "UK manufacturers continue to face fast-changing global trade conditions and continued cost pressures. Despite this, businesses remain more optimistic about the drive for sustainable growth and plans to accelerate infrastructure projects through the Industrial Strategy," he said. He also noted that firms are positioning themselves to capitalise on future opportunities as the economic landscape evolves.

While the recent data offers some indication that the worst of the manufacturing slowdown may be behind, the sector continues to operate under significant strain. Recovery will likely depend on improvements in both domestic demand and global trade stability.