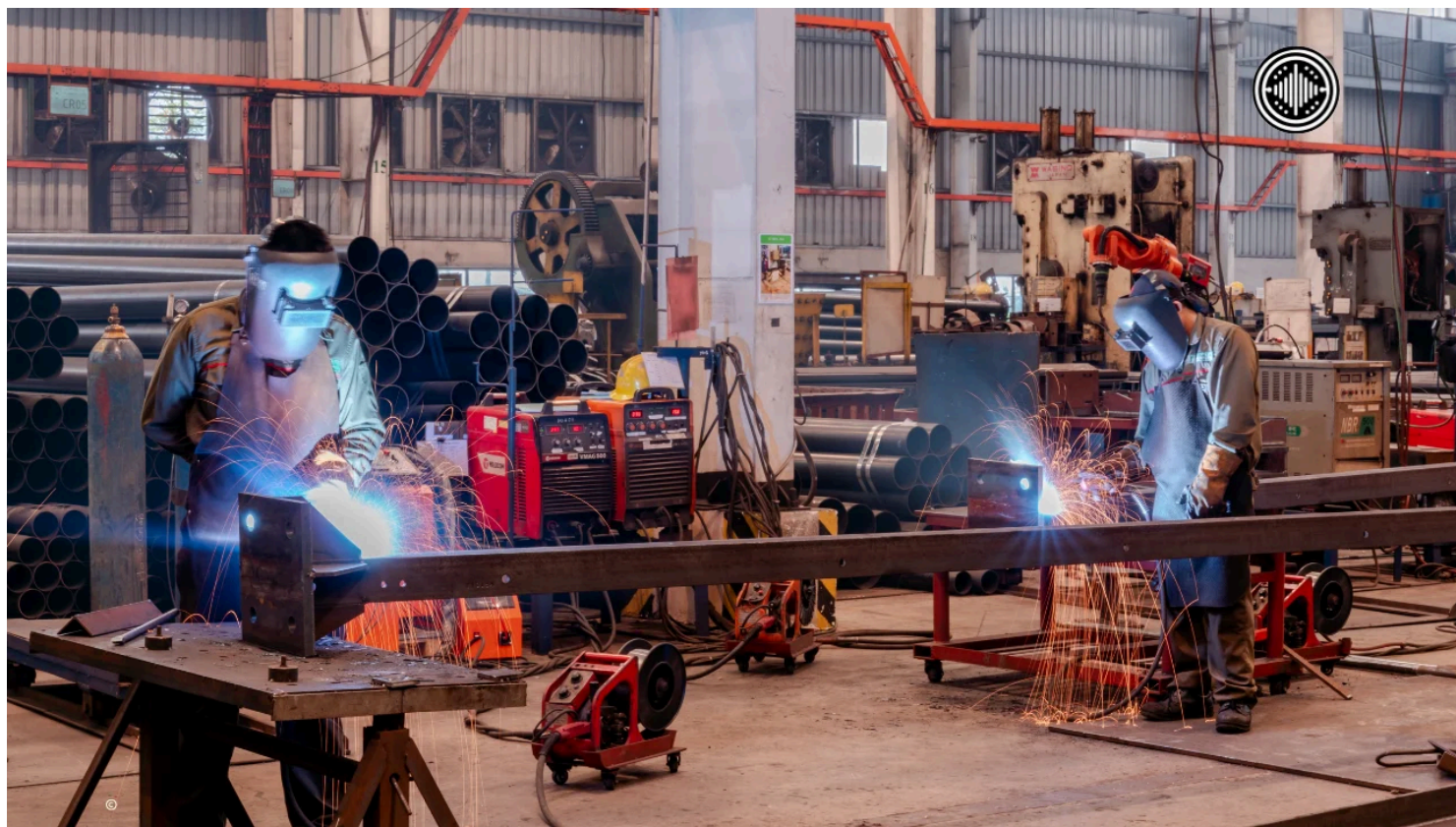


UK Manufacturing Confidence Improves Amid Ongoing Challenges

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Britain's manufacturing sector showed signs of improvement in July, with business confidence reaching its highest level in five months, according to the latest S&P Global/CIPS Purchasing Managers' Index (PMI) report.

The index rose to 48.0 in July from 47.7 in June, marking the slowest pace of contraction since January. While this figure remains below the 50.0 threshold that signals growth, it

indicates a continued easing of industrial decline. This is the fourth consecutive monthly rise in the PMI, although it was slightly below the initial estimate of 48.2.

Production of consumer and intermediate goods increased after several months of contraction, and expectations for future output reached their strongest level since February. Rob Dobson, director at S&P Global Market Intelligence, said, “The UK manufacturing sector is starting to send some tentatively encouraging signals.”

However, challenges persist. Employers in the sector continued to reduce headcount in response to rising labour costs, which have been exacerbated by increased social security contributions and a significant rise in the minimum wage. The survey also indicated that further job losses could occur in the coming months, as firms await further clarity on fiscal policy.

The UK government’s current tax approach, under Chancellor Rachel Reeves, has drawn criticism from business leaders who argue it is placing additional strain on industries still recovering from global supply chain disruptions and international trade tensions.

Factory input and output prices rose at a rate similar to June, suggesting continued cost pressures within the sector. The Bank of England is widely expected to cut interest rates next week as it weighs up inflation trends and a softening employment market.

Manufacturing accounts for approximately 10 per cent of the UK’s overall economic activity. Meanwhile, the larger services sector is reported to have weakened in July. A final reading of the services PMI is due for release on Tuesday.

Despite ongoing pressures, the rise in business optimism and a slowing rate of industrial contraction suggest a possible return to growth later in the year, dependent on future policy decisions and global market stability.