

# United Kingdom

## Manufacturing output falls for second month running

- Industrial production drops 0.7% in November, with manufacturing output down 0.4% for second month running
- Industrial output stagnation in fourth quarter leaves economy dependent on services

UK industry looks to have once again failed to grow in the closing quarter of last year, ending a tough year for manufacturers and energy companies.

Industrial production suffered its largest monthly fall since early 2013 in November, according to the Office for National Statistics. Production fell 0.7% after having failed to grow in October, led by a 1.8% drop in oil and gas extraction. Manufacturing output decreased 0.4% for a second month running.

So far in the fourth quarter, industrial production is unchanged compared to the third quarter while manufacturing output is just 0.1% higher, with little scope for any last-minute improvement in December. PMI [survey data](#) showed the manufacturing sector slowing further at the end of last year, with companies reporting one of the smallest improvements in order books recorded over the past two-and-a-half years.

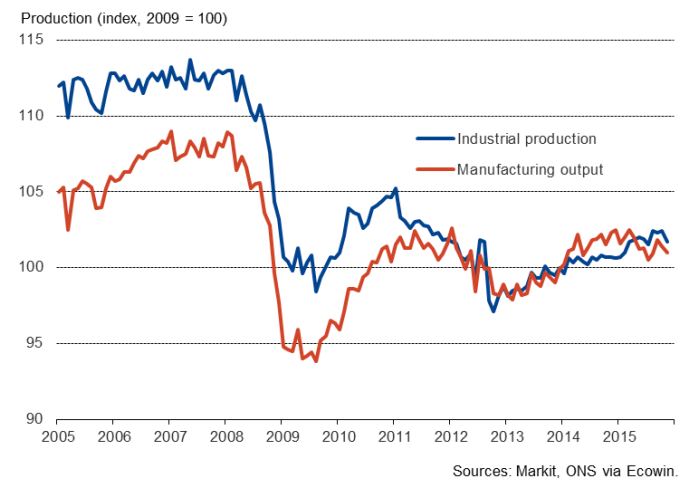
Clearly, the industrial sector looks to have once again made no contribution to economic growth in the closing quarter of 2015, leaving the economy reliant on the service sector to sustain the upturn.

Weakness in part reflects the struggling energy sector as the industry adjusts to lower oil prices and saw demand slump amid unseasonably warm weather. However, manufacturers are also having a torrid time. Producers are having to deal with a toxic combination of a historically strong exchange rate, weak global demand, intensifying competition, notably from the US and continental Europe, as well as growing uncertainty about the outlook at home and abroad. None of these factors are likely to disappear anytime soon, leaving industry facing further hard times in 2016 and the economy worryingly unbalanced.

### UK Manufacturing Output



### Production levels



### Exchange rate: easing but still historically high



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