

UK Manufacturing Pulse Check

March 2026

The UK manufacturing sector continues to demonstrate resilience, maintaining a degree of relative stability despite ongoing challenges in a difficult market.

The S&P Global UK Manufacturing PMI rose to 51.7 in February, a marginal decrease from January's 17-month high of 51.8, indicating a more positive outlook despite ongoing headwinds from geopolitical tensions, cost inflation and broader economic uncertainty. However, many manufacturers continue to expect volumes to decline, which highlights weak underlying demand.

Manufacturers should consider cost discipline and review their expenditure for any potential savings. With operational costs increasing, manufacturers should also explore the potential for additional automation to make their businesses future-fit and identify new sources of revenue.

Lenders should request that manufacturing customers update their financial forecasts to reflect the increase in operational costs.



51.7

February 2026 S&P Global UK Manufacturing PMI

Source: S&P Global UK Manufacturing PMI®



(21.0%)

Volume of total new orders November 2025 – January 2026

Source: Confederation of British Industry



52,000

Reported job vacancies November 2025 – January 2026

Source: Office for National Statistics



0.8%

Annual input price inflation to December 2025

Source: Producer Price Index (PPI), Office for National Statistics



3.4%

Annual output price inflation to December 2025

Source: Producer Output, Office for National Statistics



1,818

Reported insolvencies in the 11 months to November 2025

Source: Company insolvencies, December 2025, The Insolvency Service

Our View of the Manufacturing Sector

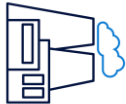
Manufacturers face sustained margin and working capital pressure from rising input and energy costs, acute skills shortages, supply chain disruption and elevated logistics costs, while capital constraints are delaying digitisation and cybersecurity investment, increasing operational risk.



Weak Demand

Manufacturers have reported weak domestic and export demand. The CBI Industrial Trends Survey reports that total new orders fell at the fastest pace since July 2020, declining by 21% in the three months to January 2026

The CBI has reported that orders are expected to decline further next quarter, though at a more gradual pace. (Source: Output falls and UK manufacturers expect to raise prices – CBI Industrial Trends Survey – January 2026)



Raw Materials and Energy Costs

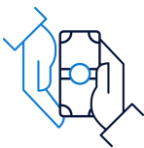
Rising raw material and energy costs continue to place pressure on margins and erode profitability.

Medium-term government plans outlined in The UK's Modern Industrial Strategy aim to cut electricity costs by £35–40/MWh by 2030 for eligible energy-intensive businesses. However, we note that short-term relief is limited.



Skills Shortage

The ONS has reported a skills gap of c.52,000 roles within the sector for the period November 2025 to January 2026. Labour shortages are estimated to be costing the economy c.£6bn in lost output each year (Source: Make UK Industrial Strategy Skills Commission Report 2025).



Geopolitical Uncertainty

Geopolitical instability and the rollout of new tariffs continue to unsettle global supply chains, reducing visibility on sourcing, pricing and lead times. At the same time, EU protectionist initiatives such as “Made in Europe” risk introducing additional barriers to trade.

These combined pressures are also driving higher logistics and transportation costs, impacting operating margins and working capital.



Digital Transformation

Capital constraints and uncertainty over returns are prompting manufacturers to delay or forgo digitisation, pressures compounded by broader macroeconomic and regulatory uncertainty.

This increases the risk of falling behind competitors that have already invested and are beginning to capture efficiency gains and lower production costs.



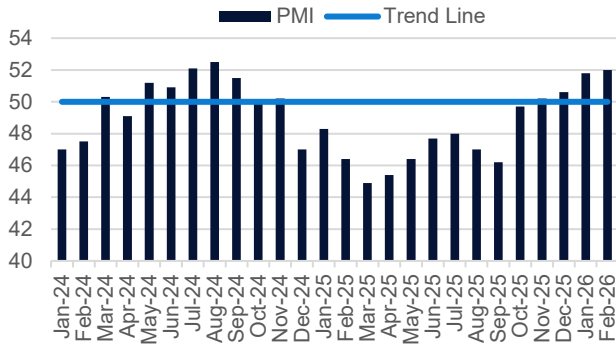
Cyberattacks

Cybersecurity remains a critical business priority. Cyber attacks disrupt production, damage trust and cause lasting reputational harm. Companies that fail to invest in cybersecurity are highly exposed, with the cost of inaction typically exceeding the required investment.

Key indicators

Global UK Manufacturing PMI

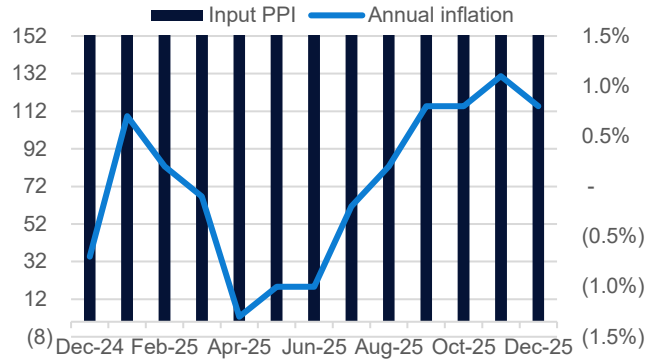
The S&P Global UK Manufacturing PMI posted 51.7 in February 2026, reflecting improved business confidence.



Source: S&P Global UK Manufacturing PMI®

Producer input prices

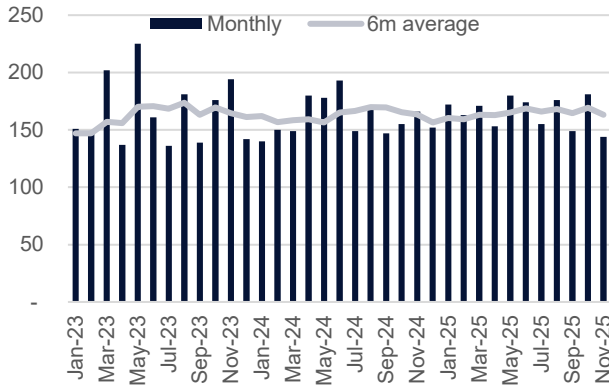
Producer input prices increased by 0.8% in the year to December 2025. The decrease in the period April to June was driven by the fall in crude oil prices.



Source: Producer Price Index (PPI), Office for National Statistics

UK manufacturing corporate insolvencies

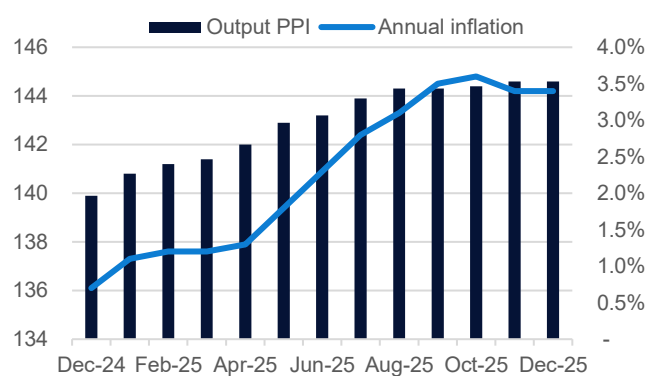
UK manufacturing corporate insolvencies have increased by 2% to 1,818 on a like-for-like basis in the 11 months to November 2025.



Source: Company insolvencies, December 2025, The Insolvency Service

Producer output prices

Producer output prices increased gradually over the year, principally driven by a 3.3% rise in the prices of metal and non-metallic mineral inputs.



Source: Producer Price Index (PPI), Office for National Statistics

Key Contacts



Daniel Smith
Senior Managing Director
+44 7884 234932
daniel.smith@teneo.com



Diana Torres
Senior Managing Director
+44 7345 428859
diana.torres@teneo.com



Michael Houston
Director
+44 7468 367105
michael.houston@teneo.com



Khalil Malik
Associate Director
+44 7881 359115
khalil.malik@teneo.com