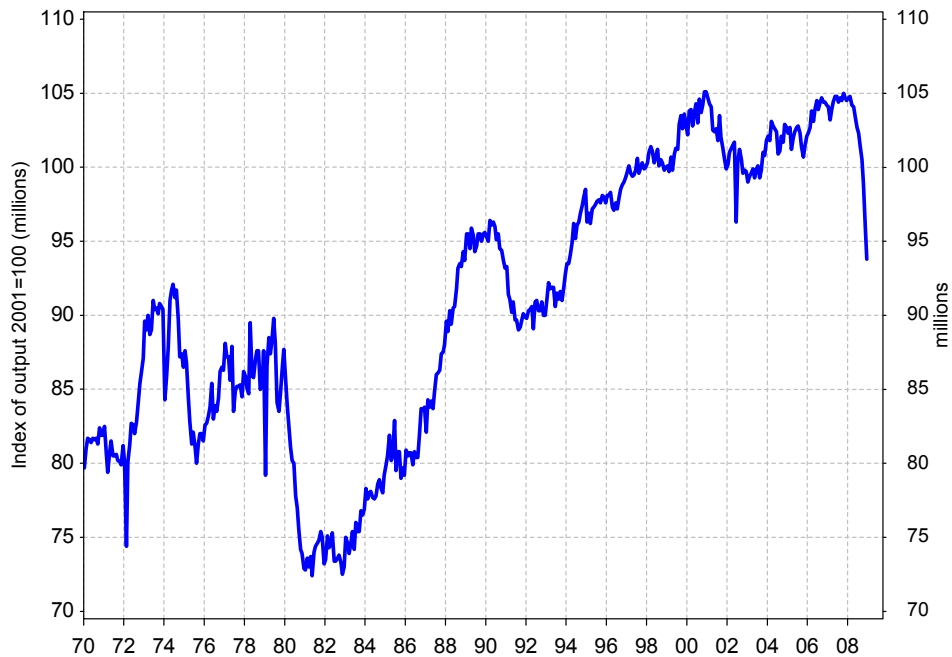


## UK manufacturing industry in deep recession

### UK Manufacturing Index of Production

Seasonally adjusted index of production, 2001 = 100



Source: Reuters EcoWin

There is a real danger that over twenty per cent of the output of UK manufacturing industry might be lost before this recession is over. The Guardian reports that “closures, short-term working and the mothballing of plants led to a drop of more than 5% in UK manufacturing production in the final quarter of 2008, according to data from the Office for National Statistics.” Manufacturing output has now fallen by 10.5% in 10 successive months from the peak in February 2008.

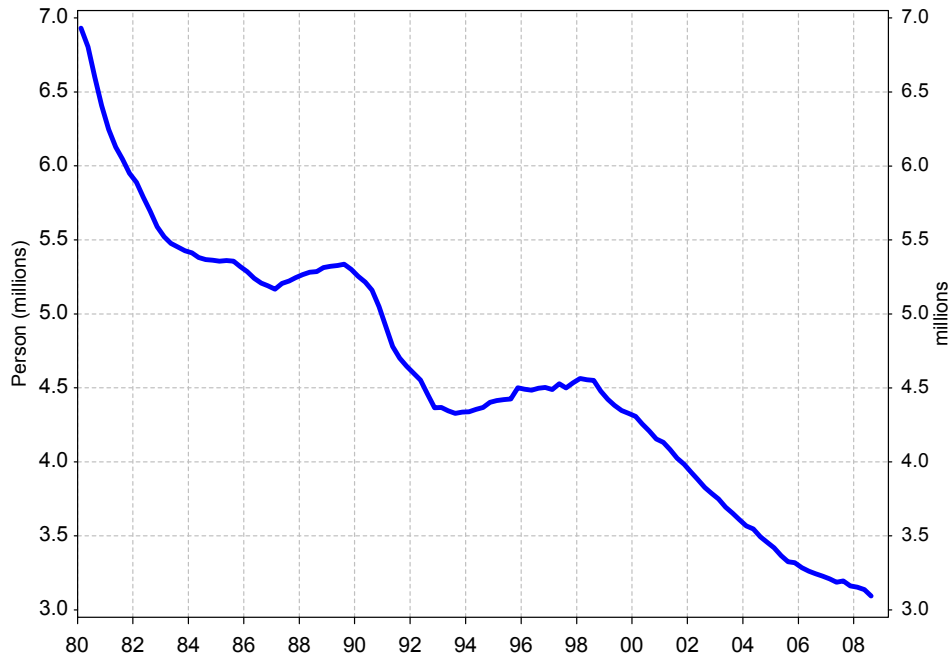
The [signs of a deep downturn](#) in what remains of our industrial heartlands are all there to see. **Profitability** has been squeezed – the net rate of return is already lower than it was during the 1990-91 recession. **Employment** is contracting and at some time this year the number of people classified as working in manufacturing will dip below 3 million – just 12 per cent of the employed labour force.

The **net trade deficit** in manufactured products has continued to widen despite the possible benefits of a cheaper pound. One problem is that the weaker currency increases the costs of importing component parts but in a recession, producers find it difficult to pass on these costs to their own customers, hence a decline in profit margins.

Manufacturing production accounts for just 18 per cent of UK real national output.

## Employment in UK Manufacturing Industry

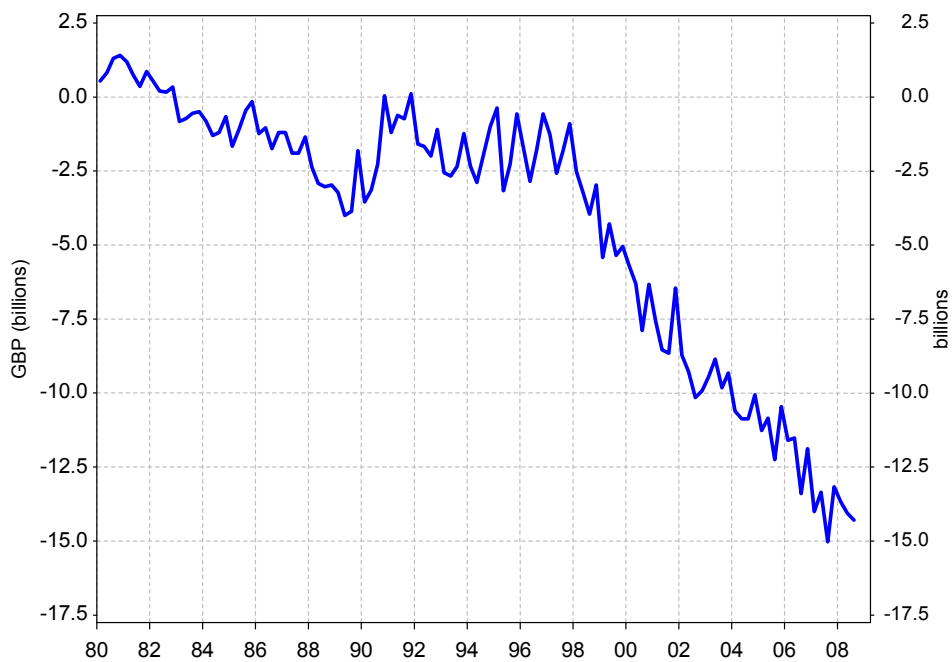
Millions, seasonally adjusted



Source: Reuters EcoWin

## Trade in Finished Manufactured Goods

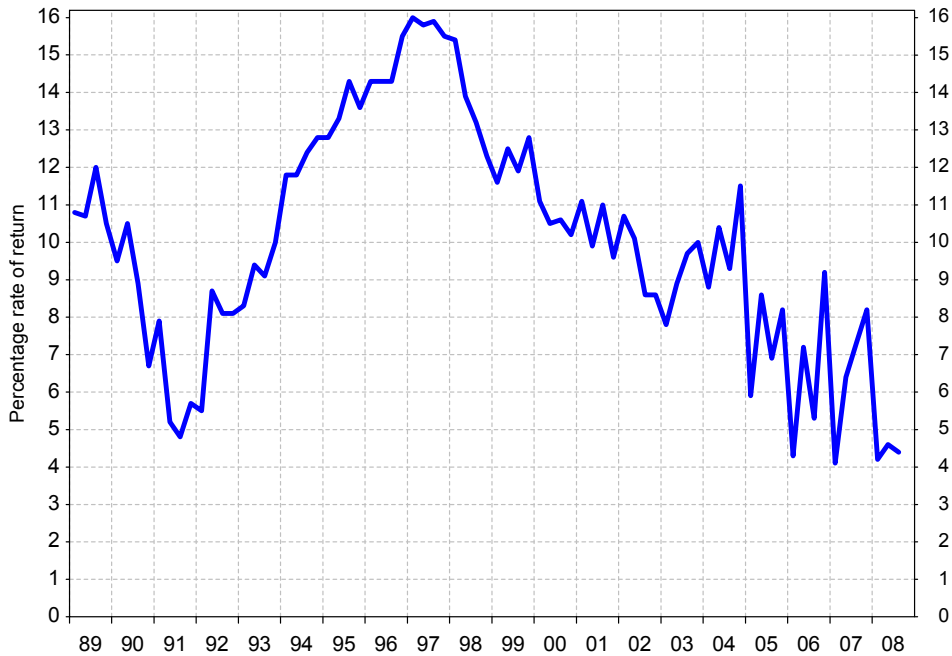
Trade balance (Exports - Imports) £ billion per quarter, source: ONS



Source: Reuters EcoWin

### Net Rate of Profit for Manufacturing Businesses

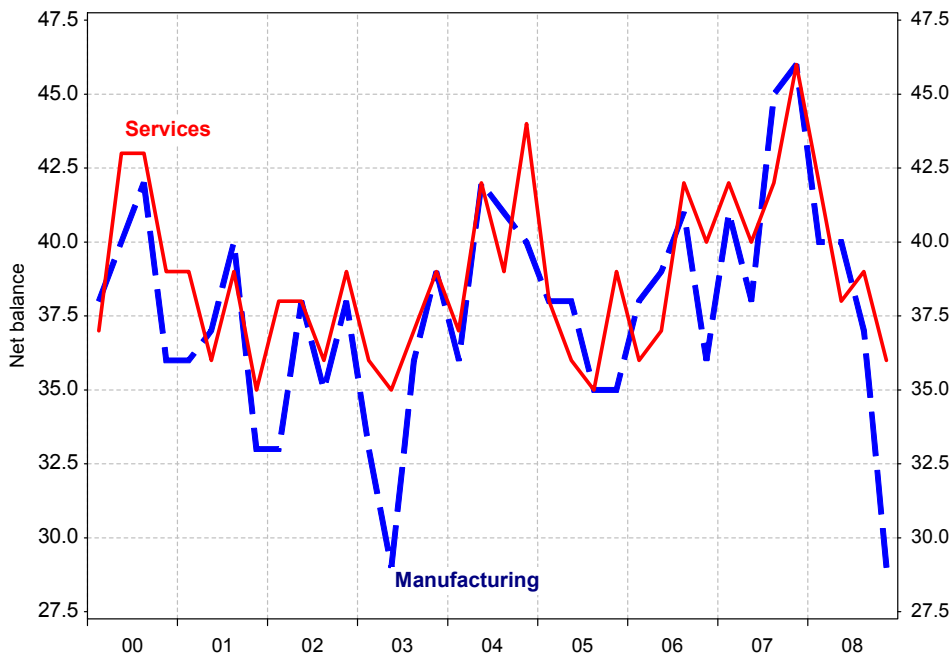
Net percentage rate of return on capital employed, seasonally adjusted



Source: Reuters EcoWin

### Businesses operating at full capacity

Source: The British Chambers of Commerce, Full capacity survey data, quart



Source: Reuters EcoWin