nickleeder

edition
02
October 2026

Beyond the Buzzwords

The Transformation Pulse

What this month's manufacturing reports actually tell you.



this month

The squeeze is official. The agents are not.

UK input prices are rising almost twice as fast as factory-gate prices, and manufacturers are paying the difference. Agentic AI is everywhere in the pitch and rare on the floor.

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01
At a glance

The month in one paragraph

October was the month the cost squeeze moved out of the surveys and into the official statistics.

The ONS put UK manufacturers' input inflation at 8.3 per cent against 4.6 per cent at the factory gate, so most of the rise is coming out of margin. The World Manufacturing Report found more than 60 in 100 executives expect AI agents within two years, and fewer than 20 in 100 have them. Activity held up, with the UK PMI at a five-month high. Buyers will fund what pays back inside the year.

£6.5bn
investment committed to the UK's eight growth sectors, July to September
HM Government, Q3 2026

8.3%
UK manufacturers' input price inflation, against 4.6% at the factory gate
ONS, September 2026

<20%
of manufacturing executives have deployed AI agents; over 60% expect to
Gartner, via WMF, 2026

The Pulse

The five measures we track every month, with the latest value against the previous one from the same source. None had a new release in October; the PMI strip below moves monthly.

Measure	This month	Prior	Direction
US outlook positive (NAM)	**78.9%**	74.2%	no release
US expected input cost growth	**+5.0%**	+5.8%	no release
UK investment intentions	**+15%**	+8%	no release
UK employment balance	**+3%**	+15%	no release
Global output growth, q/q (UNIDO)	**+1.5%**	+1.2%	no release

The PMI strip

The month's final manufacturing PMIs, published 2 November. Above 50 means activity grew on the month. The Eurozone final was not available when this edition was built.

Global	US	UK	Eurozone	China
52.6 ↓	**54.9** ↓	**52.8** ↑	**tbc**	**52.0** ↓
prior 53.0	prior 55.9	prior 51.9	no release	prior 52.1

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02
What landed

What landed in October

Three reports landed in October. Here is what each one claims and whether it should change how you run your operation.

ONS
21 October 2026

4.6%
factory-gate inflation, against 8.3% on inputs

Producer Price Inflation, UK: September 2026

Input prices rose 8.3 per cent on the year and 1.5 per cent in September alone. Factory-gate prices rose 4.6 per cent, the largest rise since April 2023. The ONS puts the rise mainly down to oil, with crude oil inputs up 51 per cent on the year.

It is not only oil: metals inputs rose 9.6 per cent, basic iron and steel 10.8 per cent and gas bought by manufacturers 8 per cent. Core factory-gate inflation was 2.9 per cent.

Why it matters Most of the cost rise is coming out of margin, not going into prices.

World Manufacturing Foundation
October 2026

60%
of executives expect AI agents within two years

World Manufacturing Report 2026

Its central finding is that technology readiness does not automatically turn into adoption. Citing Gartner, more than 60 in 100 executives expect AI agents within two years, fewer than 20 in 100 have them, and more than 40 per cent of agentic AI projects are expected to be cancelled by the end of 2027.

The Foundation's own radar rates AI assistants and knowledge agents as the only mature category, with autonomous operations three to seven years out.

Why it matters Expectation is running years ahead of deployment, and buyers know it.

HM Government
9 October 2026

25%
maximum cut in eligible electricity bills (BICS)

Industrial Strategy Quarterly Update, July to September 2026

The government's record of its own strategy: more than 6.5 billion pounds of investment commitments in the eight growth sectors, more than 6 billion pounds of exports supported and more than 27,000 jobs. The named money goes to large firms and sites, such as McLaren in Rotherham and Bentley in Crewe.

The British Industrial Competitiveness Scheme offers up to 25 per cent off electricity bills for sites using more than 33 MWh a year, closing on 30 November.

Why it matters The money is going to large firms and big sites; the relief open to the rest closes on 30 November.

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03
Patterns

Four patterns across the month

The patterns that run across independent sources this month, each with its direction of travel against the last edition.

01
strengthening

The cost squeeze is now in the official data.

UK input inflation of 8.3 per cent runs 3.7 points ahead of the factory gate, and manufacturers' average electricity and gas prices rose 4 and 6.3 per cent on the year to Q2. Activity has not cracked: the UK PMI rose to 52.8.

Sources ONS; DESNZ; S&P Global PMI

02
steady

Capital is still beating headcount, from a low base.

Investment of 6.5 billion pounds is committed in the growth sectors and UK business investment rose 1.8 per cent in Q2, but whole-economy investment is 19 per cent of GDP, the lowest in the G7.

Sources HM Government; ONS

03
strengthening

The deployment gap now has dates on it.

Autonomous operations agents are three to seven years from mainstream, more than 80 per cent of firms using AI report no productivity impact, and most humanoid robots are still prototypes.

Sources World Manufacturing Foundation; The Productivity Institute; IFR

04
steady

Policy attention stays on structure and cost.

The quarter's policy content is energy relief, social value in procurement, grid connections and steel ownership: the cost of operating here, not technology.

Sources HM Government; Make UK

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What this means for you

Payback inside the year is the only case that gets signed. With input inflation at 8.3 per cent against 4.6 per cent at the gate, most UK manufacturers are absorbing the gap. A multi-year case competes and loses.

Next step Re-cut your lead case study to show months to payback.

Buyers have heard the agentic AI pitch and not bought it. Six in ten expect agents within two years; fewer than two in ten have any. Selling autonomy now is selling against the buyer's own experience.

Next step Replace every "autonomous" claim with the measured use case.

Measurement comes before AI. Firms that tracked KPIs and set targets went on to adopt AI. A buyer with no baseline cannot see your value, and will not renew.

Next step Make a KPI baseline the first deliverable of every engagement.

The Data Act has made service revenue contestable. Connected products placed on the EU market from 12 September 2026 must give users their data, and users can direct it to third parties.

Next step List the service contracts that rest on data your customer can now share.

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04
On the shelf

New on the shelf

Captured in October but published earlier, so we list them apart from the month's news.

The Productivity Institute, More than Just Plug and Play

Paper on organisational capital and AI adoption, September 2026

ONS microdata on British firms: the ones that tracked KPIs and set targets in 2020 were the ones using AI by 2023, and centralising product decisions at headquarters made AI adoption less likely. Independent, free and specific about what to do first.

World Economic Forum, The Resilience to Growth Circularity Playbook

Playbook for industrial solutions and manufacturing, 23 September 2026

Industrial firms have scaled repair and retrofit far more than service and ownership models, 52 per cent against 15 to 20 per cent, and only 1 per cent track circular revenue against standard external metrics. The service and aftermarket case in numbers.

Sources

	Publisher	Title	Published
1	Office for National Statistics	Producer Price Inflation, UK: September 2026, including services, July to September 2026	Oct 2026
2	World Manufacturing Foundation	World Manufacturing Report 2026	Oct 2026
3	HM Government	Industrial Strategy Quarterly Update, July to September 2026	Oct 2026
4	The Productivity Institute	More than Just Plug and Play: Organisational Capital and AI Adoption	Sep 2026
5	World Economic Forum	The Resilience to Growth Circularity Playbook for Industrial Solutions and Manufacturing	Sep 2026
6	S&P Global (with J.P. Morgan, CIPS, RatingDog)	Manufacturing PMI final releases, October 2026	Nov 2026

Every figure in this edition comes from the reports listed above. Full links and the complete analysis are on the edition's page at nickleeder.com.

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Complexity delivers nothing.

About The Transformation Pulse

Each month we read the manufacturing reports so you do not have to: the surveys, outlooks and policy papers published that month. The Transformation Pulse says what they mean for manufacturing leaders, with every source listed. A new edition is published around the 10th of each month at nickleeder.com, as this free PDF, and as a LinkedIn article.

About Nick Leeder & Co

Complexity delivers nothing. We help manufacturing leaders turn enabling technology into real value through practical action, with clarity, confidence and control. Our team brings decades of hands-on manufacturing and technology leadership. We are multi-award-winning, and our expertise is recognised by organisations including the World Economic Forum. We don't do transformation theatre. We do outcomes.

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