# News Release

MARKET SENSITIVE INFORMATION
Embargoed until 0930 GMT (0930 UTC) 21 February 2023

# S&P Global / CIPS Flash United Kingdom PMI®

## UK private sector returns to growth in February

**Key findings:**

Flash UK PMI Composite Output Index[1] at 53.0 (Jan: 48.5). 8-month high.

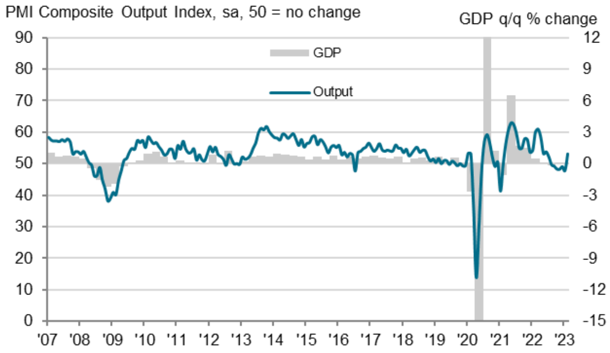
Flash UK Services PMI Business Activity Index[2] at 53.3 (Jan: 48.7). 8-month high.

Flash UK Manufacturing Output Index[3] at 51.6 (Jan: 47.0). 9-month high.

Flash UK Manufacturing PMI[4] at 49.2 (Jan: 47.0). 7-month high.

Data were collected 10-17 February

**S&P Global / CIPS Flash UK PMI Composite Output Index**




Sources: S&P Global, CIPS, ONS.

UK private sector firms signalled a solid rebound in business activity during February, which ended a six-month period of falling output. Both the manufacturing and service sectors achieved a return to growth, with the latter posting the faster rate of expansion. Survey respondents cited rising customer demand and improving business confidence in February, due to lower economic uncertainty, fewer supply shortages and falling inflation.

February data pointed to the slowest overall increase in average cost burdens since April 2021. That said, prices charged inflation eased only fractionally, especially in the service economy. Many firms commented on the need to pass on higher wages, food costs and energy bills.

At 53.0 in February, up sharply from 48.5 in January, the headline seasonally adjusted **S&P Global / CIPS Flash UK Composite Output Index** registered above the 50.0 no-change value for the first time since July 2022. Moreover, the latest reading signalled the fastest rate of private sector output expansion for eight months.

**Service providers** experienced a particularly strong upturn in business activity during February, which contrasted with marginal reductions in each of the previous four months. A number of survey respondents commented on stronger demand for business services amid an improving global economic outlook and reduced domestic political uncertainty. However, there were also reports citing a continued squeeze on consumer spending due to cost of living difficulties and higher borrowing costs.

Production volumes in the **manufacturing sector** increased for the first time since June 2022, although the pace of expansion was only modest. Goods producers mostly linked the rise in output to recovering client demand, while some also noted that improving supply conditions had helped to boost factory production. Reflecting this, the latest survey signalled the fastest improvement in suppliers' delivery times since June 2009.

Total volumes of **new work** received by UK private sector businesses increased for the first time in seven months and at the strongest pace since May 2022. A solid upturn in new orders across the service economy contrasted with a marginal reduction in the manufacturing sector. Service providers benefitted from a third consecutive monthly rise in new export sales, while goods producers recorded another decline.

Stronger customer demand contributed to renewed increases in **backlogs of work** and employment across the private sector economy during February. The rate of **job creation** was the sharpest since October 2022, largely driven by additional staff hiring in the service sector. Survey respondents continued to report difficulties finding candidates to fill vacancies, despite higher starting salaries. Where lower payroll numbers were reported, survey respondents mostly commented on hiring freezes and the need to cut costs.

**Input cost inflation** eased for the third month running in February, with manufacturers recording a particularly marked slowdown in price pressures. The most commonly cited sources of cost inflation were higher wages, greater energy bills, and exchange rate depreciation against the US dollar. Meanwhile, lower purchase prices mostly reflected reduced fuel costs and falling shipping rates.

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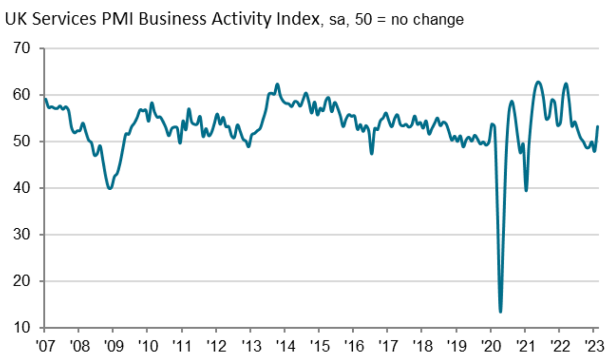
Some firms also noted fewer supplier surcharges linked to natural gas prices.

February data pointed to another steep increase in **average prices charged** by private sector companies and the rate of inflation was down only slightly since the beginning of 2023. Lower prices charged inflation was led by the manufacturing sector. The latest rise in factory gate prices was the weakest since January 2021 and much softer than seen in the service economy. Many service providers suggested that rising staff salaries had led to a sustained increase in their prices charged.

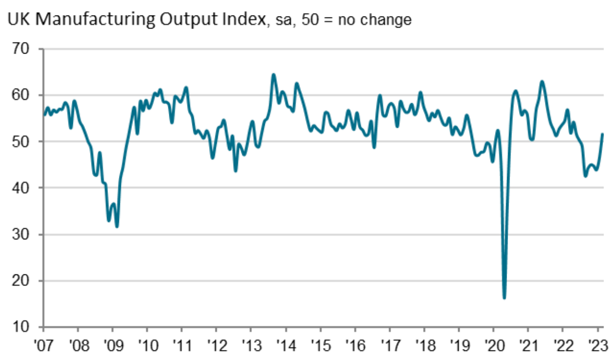
Finally, mirroring the positive trends for output and new orders, latest survey data indicated a strong rebound in **growth expectations** for the year ahead. The degree of optimism regarding business activity over the next 12 months was the highest since March 2022. This index has risen in each of the past four months, signalling a strong recovery in business confidence from the low point seen last October. Positive sentiment was often attributed to improving sales pipelines, the restart of delayed projects and signs of a recovery in business investment. Optimism was also supported by hopes that global inflationary pressures had started to wane and fewer interest rate hikes were on the horizon.

**S&P Global / CIPS Flash UK Services PMI Business Activity Index**




Sources: S&P Global, CIPS.

**S&P Global / CIPS Flash UK Manufacturing Output Index**




Sources: S&P Global, CIPS.

Commenting on the flash PMI data, **Chris Williamson**, Chief Business Economist at S&P Global Market Intelligence said:

*"Much better than anticipated PMI data for February indicate encouraging resilience of the economy in the face of headwinds which include rising interest rates, the ongoing cost of living crisis, labour shortages and strikes.*

*"While many companies continue to report tough operating conditions, especially in the manufacturing sector, the broader business mood has been buoyed by signs of inflation peaking, supply chains improving and recession risks easing. The stress created by last autumn's mini budget is also continuing to work its way out of the financial system.*

*"However, while the data suggest that near-term recession odds have fallen considerably, elevated inflation pressures clearly remain a concern, especially in the service sector. As such, the resilience of the economy and the stickiness of the survey's inflation gauges add to the likelihood of the Bank of England tightening policy further, and potentially more aggressively, which may dampen future growth expectations and suggests that the possibility of recession later in the year should not be ruled out."*

**Dr John Glen,** CIPS Chief Economist said:

*"The sun broke through in February after six months of gloom with a swift and significant jump in output for private sector business. Supplier delivery times improved at the fastest rate since June 2009 for manufacturers as the marketplace showed signs of some recovery. A rise in new orders and the slowest rate of inflation since April 2021 was reported for businesses overall.*

*"New work rose at the quickest pace since May 2022 for services businesses which saw more confidence amongst customers than manufacturing and also stronger levels of staff hiring to build operational capacity. Manufacturers saw the wheels of industry grind a little slowly and continued to report job shedding and cautious purchasing activity due to stocks built up last year.*

*"The easing of input prices didn't translate into improved costs for customers as these continued to rise and play catch-up. Those providing services cited rising salary costs as the reason for higher prices charged as skills shortages remained widespread. Manufacturers had more leeway to offer their customers better prices for produced orders as raw material costs softened again in February."*

-Ends-

# News Release

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## Note to Editors

Final February data are published on 1 March for manufacturing and 3 March for services and composite indicators.

The S&P Global / CIPS Flash UK Composite PMI® is compiled by S&P Global from responses to questionnaires sent to survey panels of around 650 manufacturers and 650 service providers. The panels are each stratified by detailed sector and company workforce size, based on contributions to GDP. The services sector is defined as consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. The following variables are monitored:

Manufacturing: Output, new orders, new export orders, backlogs of work, stocks of finished goods, employment, quantity of purchases, suppliers' delivery times, stocks of purchases, input prices, output prices, future output.

Services: Business activity, new business, new export business, outstanding business, employment, input prices, prices charged, future activity.

A diffusion index is calculated for each manufacturing and services variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

Composite indices for are calculated by weighting together comparable manufacturing and services indices using official manufacturing and services annual value added.

The headline figure is the Composite Output Index. This is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. It may be referred to as the 'Composite PMI' but is not comparable with the headline Manufacturing PMI, which is a weighted average of five manufacturing indices (including the Manufacturing Output Index).

The headline manufacturing figure is the Manufacturing Purchasing Managers' Index® (PMI®). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

The headline services figure is the Services Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline Manufacturing PMI.

Flash data are calculated from around 80-90% of total responses and are intended to provide an accurate early indication of the final data. Since flash data were first processed, the average differences between final and flash index values for the headline indices are:

Composite Output Index = 0.1 (absolute difference 0.6)

Services Business Activity Index = 0.2 (absolute difference 0.7)

Manufacturing PMI = 0.0 (absolute difference 0.4)

S&P Global do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from S&P Global. Please contact economics@ihsmarkit.com.

**Notes**

1. The Composite Output *PMI* is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.
2. The Services Business Activity Index is the direct equivalent of the Manufacturing Output Index, based on the survey question "Is the level of business activity at your company higher, the same or lower than one month ago?"
3. The Manufacturing Output Index is based on the survey question "Is the level of production/output at your company higher, the same or lower than one month ago?"
4. The Manufacturing *PMI* is a composite index based on a weighted combination of the following five survey variables (weights shown in brackets): new orders (0.3); output (0.25); employment (0.2); suppliers' delivery times (0.15); stocks of materials purchased (0.1). The delivery times index is inverted.

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.



## About CIPS

The Chartered Institute of Procurement & Supply (CIPS) is the world's largest procurement and supply professional organisation. It is the worldwide centre of excellence on purchasing and supply management issues. CIPS has a global community of 200,000 in over 150 countries, including senior business people, high-ranking civil servants and leading academics. The activities of procurement and supply chain professionals have a major impact on the profitability and efficiency of all types of organisation and CIPS offers corporate solutions packages to improve business profitability. www.cips.org

## About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to https://ihsmarkit.com/products/pmi.html .

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