News Release

MARKET SENSITIVE INFORMATION
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S&P Global Flash United Kingdom PMI®

UK private sector activity growth eases to seven-month low in June

Key findings:

Flash UK PMI Composite Output Index(1) at 51.7 (May: 53.0). 7-month low.

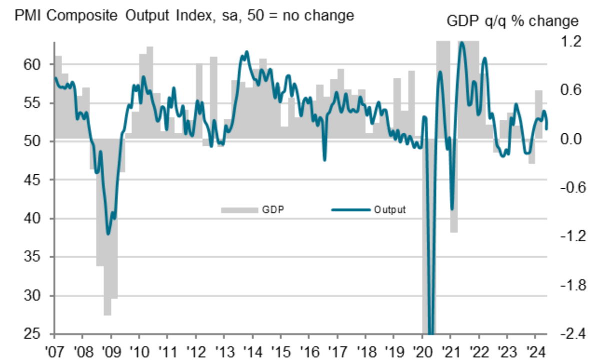
Flash UK Services PMI Business Activity Index(2) at 51.2 (May: 52.9). 7-month low.

Flash UK Manufacturing Output Index(3) at 54.2 (May: 53.4). 26-month high.

Flash UK Manufacturing PMI(4) at 51.4 (May: 51.2). 23-month high.

Data were collected 12-19 June

S&P Global Flash UK PMI Composite Output Index



Sources: S&P Global PMI, ONS via S&P Global Market Intelligence.

UK private sector business activity expanded in June at its slowest rate since last November, as a slowing of service sector growth offset a stronger performance in manufacturing. Output at goods producers rose to the greatest degree since April 2022, driven by improved order book intakes and strong business confidence. At the same time, services activity grew at its softest pace for seven months, although survey evidence indicated that the slowdown was partly driven by a pause in client spending decisions during the election period.

UK firms also faced a quickening of input cost inflation in June, as severe global shipping constraints led to higher transport costs. The rise fed through to quicker increases in output charges among both manufacturing and services companies, with producers notably raising their prices at the sharpest rate since May 2023.

The headline seasonally adjusted **S&P Global Flash UK PMI Composite Output Index** fell from 53.0 in May to 51.7 in June, signalling a slower and modest increase in business activity at the end of the second quarter of the year. Furthermore, the expansion was the softest recorded since November 2023.

Services firms experienced a loss of growth momentum for the second month running in June, with business activity rising only modestly and at the weakest pace for seven months. Although higher customer demand helped to boost activity levels, according to respondents, this was partly offset by reports of spending decisions being put on hold due to the general election.

At the same time, **manufacturers** registered the sharpest rise in production levels for over two years, building on a renewed upturn in output in May amid sustained growth of new order volumes. Some companies also highlighted efforts to increase capacity and catch up on backlogs in the expectation that demand will continue to improve and support output.

UK companies recorded a moderate uptick in **new business** in June, with the pace of growth unchanged and the joint-lowest in the current seven-month sequence of expansion. Again, services and manufacturing firms were alike in registering only a modest upturn, although the latter's increase was the strongest observed since April 2022. A dip in foreign demand for manufactured goods meant that overall **new export orders** decreased fractionally in June, thereby ending a two-month period of marginal gains. This came despite a further uplift in new export business at service providers.

Employment across the UK private sector remained on an upward trajectory in June, having increased in every month of 2024 so far. However, there was further evidence that hiring difficulties and efforts to save costs led to another subdued rate of job creation, with the rise in employment even softening from May to a fractional pace. Services and manufacturing continued to differ in their hiring trends, with a slight increase in jobs among service providers contrasting with a modest decline at goods producers.

Inflationary pressures were back on the rise during June, as companies widely reported a steep increase in transport costs linked to global shipping bottlenecks. **Input price inflation** accelerated from its 40-month low in May,

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amid stronger cost increases across both key sectors. Notably, manufacturing input prices recorded the sharpest uptick for 17 months, with firms also commenting on higher prices for items such as metals and paper. Wages remained the main driver of services cost inflation, although shipping and software costs were also widely cited by respondents.

Prices charged inflation across the private sector consequently rose to a four-month high in June, as both manufacturing and services firms raised their selling prices to a faster degree than in the previous survey period. The uptick in services charge inflation was the first recorded since February, with firms generally highlighting the need to cover their costs via increased selling prices. Factory gate prices rose solidly and to the greatest extent since May 2023.

Finally, the flash survey data pointed to a weaker level of **business confidence regarding future output** at UK companies in June, which qualitative evidence showed was fuelled by political uncertainty ahead of the general election. Sentiment at services firms was especially affected, dropping to its lowest level for seven months. Aside from this, optimism towards future activity was still robust overall, with firms generally expectant of improving economic conditions, customer growth and new products driving increased output over the coming year.

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

"Flash PMI survey data for June signal a slowing in the pace of economic growth, indicating that GDP is now growing at a sluggish quarterly rate of just over 0.1%.

"The slowdown in part reflects uncertainty around the business environment in the lead up to the general election, with many firms seeing a hiatus in decision making pending clarity on various policies.

"Meanwhile, from an inflation perspective, stubbornly persistent service sector inflation – a major barrier to lower interest rates – remains evident in the survey, but should at least cool further from the current 5.7% pace in coming months. However, companies' costs are rising, most notably in manufacturing, where shipping costs in particular are spiking again and adding to a renewed rise in inflationary pressures from goods.

"In short, while a slowdown in economic growth may prove temporary, should businesses react positively to the policies announced by any new government, the stubbornness of underlying inflationary pressures above the Bank of England's target still looks somewhat engrained."

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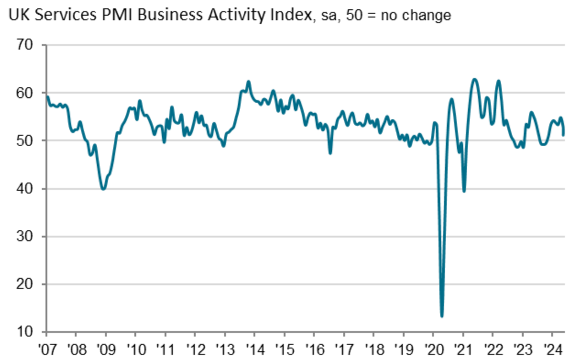
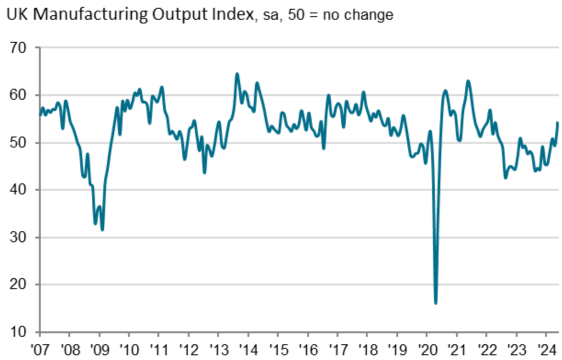
News Release

S&P Global Flash UK Services PMI Business Activity Index



Source: S&P Global PMI.

S&P Global Flash UK Manufacturing Output Index



Source: S&P Global PMI.

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Note to Editors

Final June data are published on 1 July for manufacturing and 3 July for services and composite indicators.

The S&P Global 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 = 0.2 (absolute difference 0.6)

Services Business Activity Index = 0.2 (absolute difference 0.7)

Manufacturing PMI = 0.1 (absolute difference 0.4)

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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@spglobal.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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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.

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