News Release

MARKET SENSITIVE INFORMATION
Embargoed until 0930 GMT (0930 UTC) 21 March 2024

S&P Global Flash United Kingdom PMI®

UK private sector output continues to rise at a solid pace in March

Key findings:

Flash UK PMI Composite Output Index(1) at 52.9 (Feb: 53.0). 2-month low.

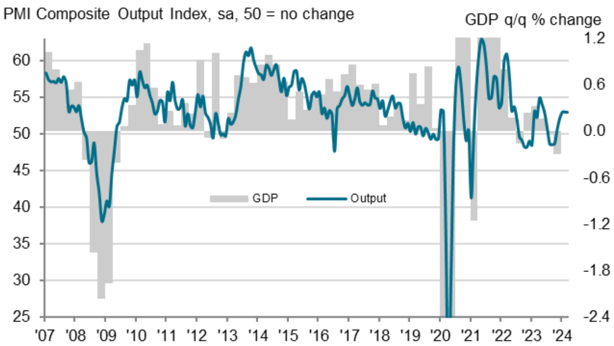
Flash UK Services PMI Business Activity Index(2) at 53.4 (Feb: 53.8). 3-month low.

Flash UK Manufacturing Output Index(3) at 50.2 (Feb: 48.3). 13-month high.

Flash UK Manufacturing PMI(4) at 49.9 (Feb: 47.5). 20-month high.

Data were collected 12-19 March

S&P Global Flash UK PMI Composite Output Index



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

March data pointed to another solid upturn in output levels across the UK private sector, with the rate of expansion only fractionally slower than February's nine-month high. This largely reflected increasing business activity in the service economy. Manufacturing production nonetheless turned a corner in March, ending a twelve-month period of decline, amid the fastest rise in new orders since May 2022.

Input prices continued to rise at a sharp pace in March, with the rate of inflation the second-fastest since August 2023. Service providers reported elevated wage pressures as the main factor leading to strong cost inflation, while manufacturers cited higher transportation bills and rising commodity prices. A combination of rising costs and resilient demand meant that output charges across the UK private sector as a whole rose at the fastest rate for eight months in March.

The headline seasonally adjusted **S&P Global Flash UK PMI Composite Output Index** registered 52.9 in March, down fractionally from 53.0 in February but above the crucial 50.0 no-change value for the fifth consecutive month and indicative of a solid rate of output growth.

Service sector growth was quicker than that seen in the manufacturing sector, despite losing momentum in March. The latest increase in business activity across the service economy was the least marked for three months, which firms often attributed to pressure on households' disposable income. **Manufacturing** production increased for the first time since February 2023, albeit only fractionally. Survey respondents attributed the turnaround in production volumes to customer restocking and a subsequent rebound in new order intakes.

Total new business received by UK private sector companies increased for the fourth month running in March. The rate of expansion eased only slightly from February's nine-month high, with the slowdown due to a slight loss of momentum in the service economy. **Total export sales** increased for the first time since May 2023, but only fractionally. Manufacturers signalled a renewed upturn in total new work. Although only marginal, the improvement in order books across the manufacturing sector was the quickest seen for nearly two years.

Despite a sustained rebound in business activity and incoming new work, the latest survey indicated that private sector **employment** stagnated in March. Survey respondents typically commented on cautious hiring strategies due to strong cost pressures, especially in the service sector. Some firms also cited an elevated degree of natural attrition amid difficulties retaining existing staff and finding suitable candidates to fill vacancies.

A lack of pressure on business capacity may have acted as a brake on hiring in March, as signalled by a reduction in **unfinished work** for the eleventh successive month. That said, the rate of backlog depletion was only modest and the slowest seen since June 2023. This reflected a much smaller reduction in work-in-hand (but not completed) across the manufacturing sector during March.

March data indicated a steep increase in **input costs** across the private sector as a whole, with the rate of inflation easing only slightly from February's six-month high. Although modest in comparison to that seen in the

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service economy, the rate of cost inflation across the manufacturing sector accelerated again in March. The latest increase in purchasing prices was the steepest for one year, which survey respondents often attributed to increased freight costs and tight supply following Red Sea shipping disruptions. Goods producers also indicated another lengthening of **suppliers' delivery times**, although the latest downturn in vendor performance was much less marked than in February.

Prices charged inflation at private sector firms edged up to its highest since July 2023. This was underpinned by another robust rise in prices charged by service sector firms. Manufacturers recorded only a modest rise in factory gate prices, although the rate of inflation picked up to a 10-month high. Anecdotal evidence suggested that a need to offset higher salary payments was the main factor leading to increased output prices across the service economy in March, while goods producers often noted higher raw material prices.

The latest survey indicated a mixed picture for **business activity expectations** as service providers recorded a decline in confidence while manufacturing sector optimism accelerated to its highest since April 2023. A number of service providers reported concerns about lacklustre growth prospects for the UK economy and the impact of political uncertainty in the next 12 months. Survey respondents nonetheless cited an expected boost to sales from rising consumer confidence, lower inflation and interest rate cuts over the course of 2024. Goods producers also commented on headwinds from subdued domestic economic trends. However, many also noted hopes of a turnaround in global manufacturing conditions, alongside investments in new product launches and long-term plans to expand into new export markets.

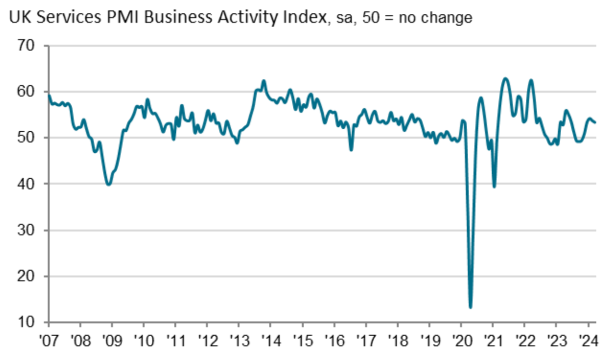
Commenting on the flash PMI data, **Chris Williamson**, Chief Business Economist at S&P Global Market Intelligence said:

"Further signs of the UK economy having pulled out of last year's brief recession are provided by the provisional PMI data for March. A further robust expansion of business activity ended the economy's best quarter since the second quarter of last year. The survey data are indicative of first quarter GDP rising 0.25% to thereby signal a reassuringly solid rebound from the technical recession seen in the second half of 2023.

"It is also encouraging to see a more broad-based expansion, with a sustained increase in service sector activity accompanied in March by signs of a tentative return to growth for manufacturing output. Business expectations for the year ahead also remain reassuringly lofty by recent standards.

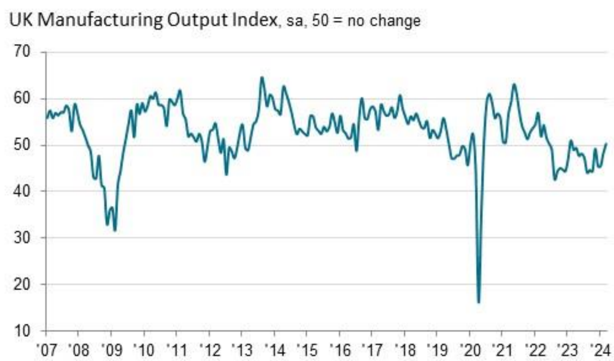
"However, while recession worries have abated, inflation remains a concern. Stubbornly sticky service sector inflation has persisted into March, exacerbated by renewed inflation in the manufacturing sector. While the headline rate of inflation looks likely to cool in the months ahead, March's PMI warns of elevated underlying price pressures which will likely add to calls for restraint in any pivot to lower interest rates until there are firm signs of lower wage growth."

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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Contact

S&P Global Market Intelligence
Tim Moore
Economics Director
Telephone +44-1491-461-067
Email: tim.moore@spglobal.com

Sabrina Mayeen
Corporate Communications
Telephone +44 (0) 7967 447030
Email sabrina.mayeen@spglobal.com

Note to Editors

Final March data are published on 2 April for manufacturing and 4 April 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)

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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PMI®
by S&P Global

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.

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