

MARKET SENSITIVE INFORMATION

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S&P Global Flash United Kingdom PMI®

Fastest rise in UK private sector output since April

Key findings:

Flash UK PMI Composite Output Index⁽¹⁾ at 53.4 (Jul: 52.8). 4-month high.

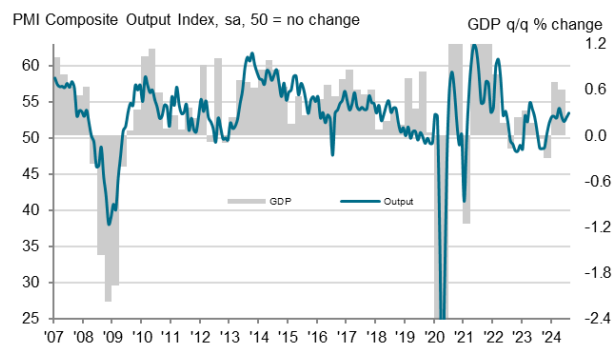
Flash UK Services PMI Business Activity Index⁽²⁾ at 53.3 (Jul: 52.5). 4-month high.

Flash UK Manufacturing Output Index⁽³⁾ at 54.2 (Jul: 54.9). 2-month low.

Flash UK Manufacturing PMI⁽⁴⁾ at 52.5 (Jul: 52.1). 26-month high.

Data were collected 12-20 August

S&P Global Flash UK PMI Composite Output Index



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

August PMI data signalled another solid expansion of UK private sector output, supported by a robust upturn in new order intakes. Rising business activity and resilient demand conditions contributed to a greater uplift in staff hiring, with the rate of employment growth the fastest since June 2023. Survey respondents also noted that more upbeat assessments of the domestic economic outlook had spurred efforts to boost business capacity.

At the same time, inflationary pressures moderated across the private sector in August, with input costs rising at the slowest pace since January 2021. This largely reflected a considerable easing in cost pressures within the service economy. In contrast, higher freight and raw material costs meant that input price inflation across the manufacturing sector remained stronger than seen in the first half of 2024.

At 53.4 in August, up from 52.8 in July, the headline seasonally adjusted **S&P Global Flash UK PMI**

Composite Output Index was the highest since April and signalled a solid increase in private sector business activity. The headline index has now posted above the 50.0 no-change threshold for ten consecutive months. Manufacturing production increased at a particularly sharp pace in August (index at 54.2), with the latest reading only slightly softer than July's near two-and-a-half-year high. Service providers meanwhile signalled an acceleration in business activity growth to its strongest for four months (index at 53.3), driven by greater business and consumer spending.

Total new order volumes increased at a robust pace in August, which continued the upward trend seen since December 2023. Survey respondents typically commented on improving sales pipelines and rising willingness-to-spend among clients, especially in domestic markets. This was linked to softer inflationary pressures and lower borrowing costs, alongside hopes of a sustained revival in UK economic conditions. In contrast, **new business from abroad** decreased slightly during August, led by another reduction in export sales in the manufacturing sector. Goods producers cited lacklustre demand from EU clients.

Despite a relatively strong rise in total new business, latest data signalled the fastest reduction in **backlogs of work** since November 2023. This mostly reflected a sharp fall in unfinished business in the service economy. Lower backlogs were often attributed to additional staff hiring and ongoing efforts to boost operating capacity. August data indicated that the rate of private sector **job creation** edged up to its fastest for 14 months, with higher staffing levels seen in both the manufacturing and service sectors.

Positive sentiment towards the near-term **business outlook** was also a factor helping to underpin a gradual acceleration in employment growth. Business activity expectations for the year ahead were relatively upbeat in both the manufacturing and service sectors, despite easing since July. Survey respondents noted improving sales pipelines and hopes of increased domestic investment spending. Firms also cited reduced political uncertainty and the prospect of further interest rate cuts, alongside more favourable economic conditions.

Finally, latest data indicated that **input cost inflation** eased to its lowest for just over three-and-a-half years in August. This was mainly driven by a renewed slowdown in cost pressures across the service sector amid reports of

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fewer supplier surcharges and more competitive market conditions. Service providers nonetheless still noted elevated wage inflation. In the manufacturing sector, higher purchasing prices were mostly attributed to rising shipping bills and raw material costs (especially pulp, paper and plastics). Efforts to pass on rising input costs led to another robust increase in **average prices charged** by private sector firms in August. However, the latest rise was among the slowest seen since the start of 2021.

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

“August is witnessing a welcome combination of stronger economic growth, improved job creation and lower inflation, according to provisional PMI survey data.

“Both manufacturing and service sectors are reporting solid output growth and increased job gains as business confidence remains elevated by historical standards.

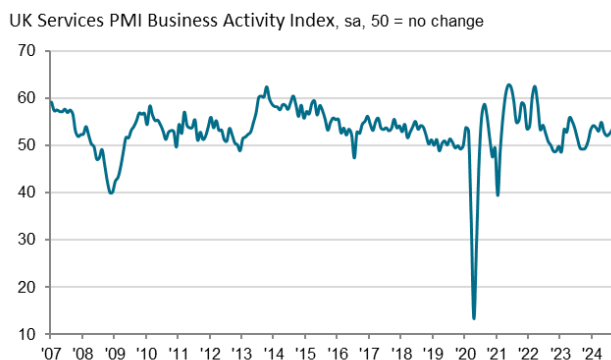
“Although GDP growth looks set to weaken in the third quarter compared to the impressive gains seen in the first half of the year, the PMI is indicative of the economy expanding at a reasonably solid quarterly rate of around 0.3%.

“Inflationary pressures have meanwhile moderated further in August, including notably in the service sector, which has been a key area of concern for the Bank of England.

“The latest survey data therefore help lower the bar for further interest rate cuts, although the still-elevated nature of inflation in the service sector suggests that policymakers will move cautiously.”

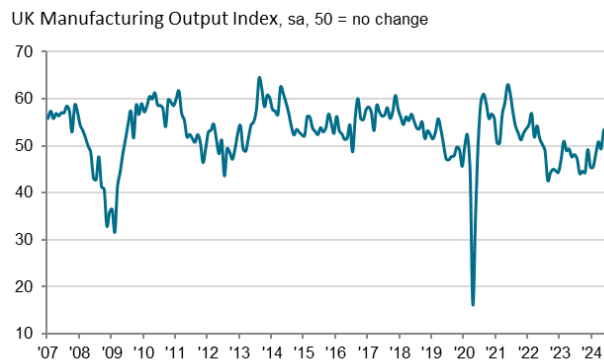
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S&P Global Flash UK Services PMI Business Activity Index



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 August data are published on 2 September for manufacturing and 4 September 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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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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