

S&P Global Flash UK PMI®

Renewed downturn in UK private sector output amid sharpest fall in new export orders since May 2020

Key findings, April:

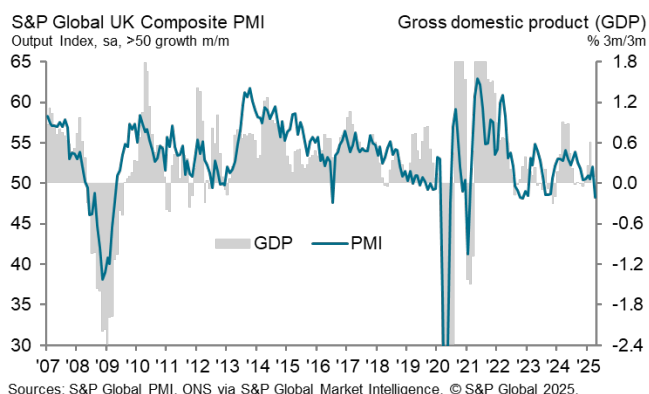
Flash UK PMI Composite Output Index⁽¹⁾: 48.2 (Mar: 51.5). 29-month low.

Flash UK Services PMI Business Activity Index⁽²⁾: 48.9 (Mar: 52.5). 27-month low.

Flash UK Manufacturing Output Index⁽³⁾: 44.0 (Mar: 45.3). 32-month low.

Flash UK Manufacturing PMI⁽⁴⁾: 44.0 (Mar: 45.3). 20-month low.

Data were collected 09-22 April



April data from the S&P Global Flash UK PMI® survey signalled a decline in private sector output for the first time in one-and-a-half years. Weaker demand from international markets weighed on business activity in both the manufacturing and service sectors. The latest figures indicated that total new work from abroad decreased sharply and at the fastest pace for nearly five years. Survey respondents widely commented on the negative impact of US tariffs and a subsequent slump in confidence among clients.

Business activity expectations among UK private sector firms also weakened in April. The degree of optimism towards the year ahead outlook slumped to its lowest since October 2022. Many survey respondents noted concerns about worsening global economic prospects in the wake of US tariffs, as well as subdued confidence regarding the outlook for domestic business conditions.

At 48.2 in April, down from 51.5 in March, the headline

seasonally adjusted S&P Global Flash UK PMI Composite Output Index posted below the neutral 50.0 value for the first time since October 2023. Although signalling only a modest rate of decline, the latest reading was the lowest since November 2022.

Service providers recorded a marginal decrease in business activity during April, which ended a 17-month period of expansion. Rising global economic uncertainty and subdued domestic demand conditions were cited as the main factors weighing on output.

Manufacturers recorded a fall in production volumes for the sixth successive month. The latest decline was the steepest since August 2022 and widely attributed to weakening market conditions, especially in key export destinations.

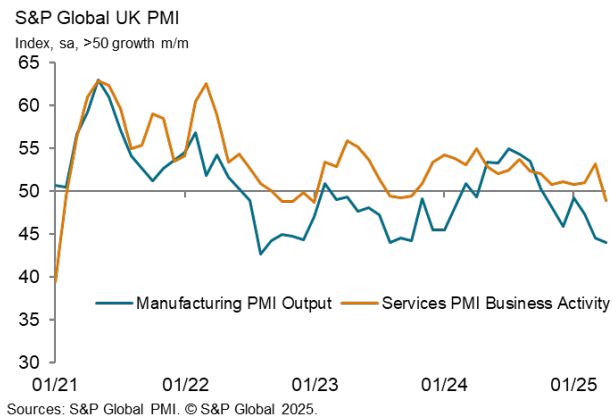
Total new work received by UK private sector firms decreased for the fifth month running and at a solid pace in April. Anecdotal evidence suggested that US tariff uncertainty and general concerns about the economic outlook had encouraged a wait-and-see approach to major spending decisions among clients. This led to the fastest reduction in new work from abroad since May 2020. Manufacturing export sales were particularly hard-hit by rising global trade tensions. Aside from the pandemic, the latest decline in new orders from abroad across the manufacturing sector was the steepest since February 2009.

Decreased workloads and rising payroll costs contributed to employment cutbacks across the UK private sector in April. Staffing numbers have now decreased for seven months running, reflecting ongoing job shedding in both the manufacturing and service sectors. Survey respondents widely noted that squeezed margins had resulted in the non-replacement of voluntary leavers.

Average cost burdens increased at a sharp and accelerated pace in April. The overall rate of input cost inflation was the fastest since February 2023. Survey respondents mainly cited higher National Insurance contributions and a rise in the National Living Wage. Output charge inflation also picked up in April and was the highest for nearly two years. This was driven by a particularly steep acceleration in factory gate price inflation.

News release

Finally, business activity expectations weakened considerably in both the manufacturing and service sectors, with overall confidence levels the lowest for two-and-a-half years. Survey respondents mostly attributed weaker business sentiment to heightened recession risks at home and abroad. Many firms reported a negative impact on growth projections from US trade tensions, rising geopolitical uncertainty and general worries about the broader UK business climate.



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

“While recent months have been characterised by UK businesses treading water, broadly stagnating since last autumn’s Budget, businesses are reporting more of a struggle to keep their heads above water in April.

“April’s fall in output was the largest recorded for nearly two and a half years, consistent with GDP declining at a quarterly rate of 0.3%, reflecting falling activity and demand across both manufacturing and services.

“Job cutting remains aggressive as business optimism about the year ahead sank to a two-and-a-half-year low, and one of the lowest levels yet recorded by the survey, even surpassing the low seen in the immediate aftermath of the Brexit vote in 2016.

“The disappointing survey reflects the impact of headwinds from both home and abroad. The biggest concern lies in a slump in exports amid weakened global demand and rising global trade worries, but higher staffing costs have also piled pressure on companies – linked to the National Insurance and minimum wage changes that came into effect at the start of the month. Just as export orders are falling at the sharpest rate since May 2020, during the pandemic lockdowns, firms’ costs spiked higher to a degree not seen for over two years.

“The collapse in confidence and drop in output during April raise red flags as to the near-term economic outlook and add pressure on the Bank of England to reduce interest rates again at its May meeting. There will be some uncertainty, however, as to whether the recent upturn in price pressures could become entrenched or whether it merely represents a short-term tax-related spike which should be ‘looked through’.”

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Notes to editors

Final April data are published on 1 May for manufacturing and 6 May 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.

PMI[®]

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PMI by S&P Global

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