

## MARKET SENSITIVE INFORMATION

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

### UK private sector growth maintained in March, led by the service economy. Input cost inflation falls to a two-year low.

#### Key findings:

Flash UK PMI Composite Output Index<sup>(1)</sup> at 52.2 (Feb: 53.1). 2-month low.

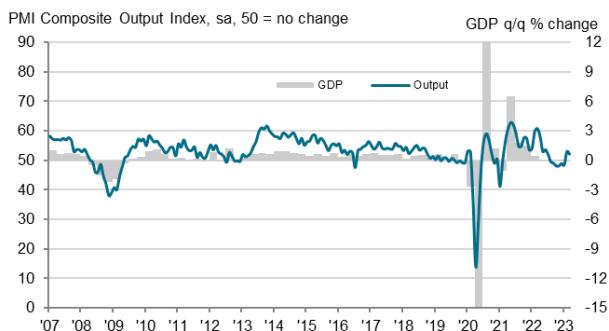
Flash UK Services PMI Business Activity Index<sup>(2)</sup> at 52.8 (Feb: 53.5). 2-month low.

Flash UK Manufacturing Output Index<sup>(3)</sup> at 49.0 (Feb: 50.9). 2-month low.

Flash UK Manufacturing PMI<sup>(4)</sup> at 48.0 (Feb: 49.3). 2-month low.

Data were collected 10-22 March

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



Sources: S&P Global, CIPS, ONS.

March data pointed to a sustained increase in UK private sector output, largely reflecting a strong performance by the service economy. New business received by service sector companies rose at the sharpest pace for 12 months, although staff shortages acted as a constraint on growth. Manufacturing production dipped in March and was once again held back by subdued order books.

Input price inflation meanwhile fell to a two-year low in March, mostly reflecting a considerable softening of cost pressures in the manufacturing sector. Many firms noted that lower commodity prices and falling freight rates had been passed on by suppliers. Manufacturers continued to report improving supply conditions, with delivery times shortening to the greatest extent since April 2009.

The headline seasonally adjusted **S&P Global / CIPS Flash UK Composite Output Index** posted 52.2 in March, down from February's eight-month high of 53.1 but

still above the 50.0 no-change mark. The latest reading signalled a moderate increase in UK private sector activity and the speed of expansion remained softer than the long-run survey average.

**Service sector activity** picked up for the second month running in March, although the rate of growth eased since February. In contrast, **manufacturing production** decreased slightly during the latest survey period as subdued demand constrained output volumes.

UK private sector firms reported a solid rise in **new business volumes** during March. Higher levels of new work have been recorded in each of the past two months and the latest upturn was the fastest since April 2022. This largely reflected a robust and accelerated rise in new business across the service economy. Survey respondents typically linked rising new business volumes to improved client confidence, resilient demand for consumer services and a boost to spending from falling inflationary pressures. Goods producers indicated that new orders increased only fractionally. Meanwhile, export sales fell for the fourteenth successive month in March.

**Employment numbers** were broadly unchanged across the private sector as a whole. Some firms commented on a headwind to recruitment from shortages of available candidates, although others noted hiring freezes due to strong cost pressures. By sector, job creation hit a three-month low in the service economy, while manufacturers cut their staffing numbers at a faster pace than in February.

**Average cost burdens** increased sharply during the latest survey period, but the overall rate of inflation moderated for the fourth month in a row to its lowest since March 2021. Service providers continued to signal a much steeper rise in input prices than manufacturing companies, with the latter recording the slowest increase since June 2020. Strong wage pressures and higher prices paid for food items were widely cited by survey respondents in March. This was partly offset by lower fuel bills and reduced transportation costs.

Meanwhile, **prices charged** inflation continued to drift downwards in March as softer cost pressures were gradually passed on to customers. The latest rise in average selling prices was the slowest since August 2021. However, many businesses suggested that squeezed

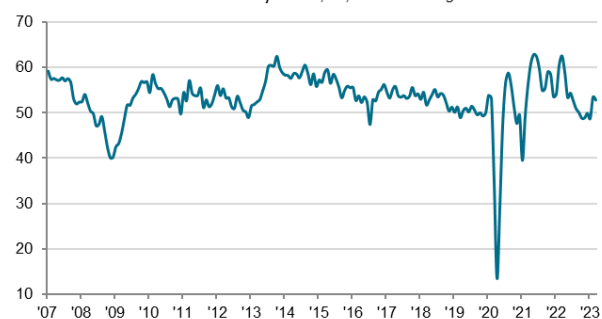
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margins, ongoing wage inflation and uncertainty about energy costs had limited their ability to discount prices.

Looking ahead, private sector firms are optimistic about their **business activity prospects** during the next 12 months. The degree of confidence edged up since February and was the highest since March 2022. This largely reflected a rise in business expectations across the manufacturing sector, which was driven by hopes of a rebound in customer demand and a boost from improving supply chain performance. Confidence across the service economy was unchanged since February, despite recent volatility across global financial markets. Reports from survey respondents typically cited optimism due to resilient customer demand and strong new business pipelines.

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

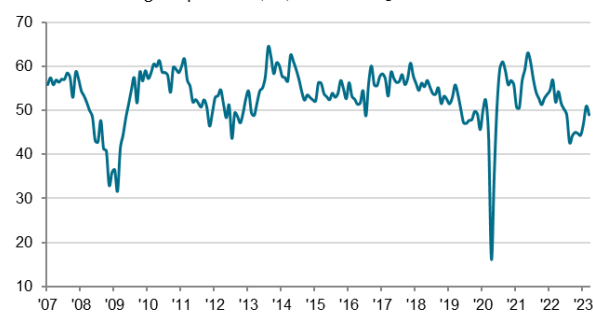
UK Services PMI Business Activity Index, sa, 50 = no change



Sources: S&P Global, CIPS.

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

UK Manufacturing Output Index, sa, 50 = no change



Sources: S&P Global, CIPS.

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

*“With the flash PMI surveys signalling a second month of rising output in March, the UK economy looks to have returned to growth in the first quarter. The surveys are broadly consistent with GDP growing at only a modest quarterly rate of 0.2%, but this represents a welcome expansion compared to the lack of growth seen in the second half of last year.*

*“Further encouragement comes from new business growth accelerating to the fastest since April of last year. More disappointingly, it seems that a lack of available staff meant this demand could not be fully met. The upshot of these constraints and labour shortages is of course more upward pressure on prices. Although the overall rate of inflation for goods and services has cooled further from the peaks seen in the spring of last year, in the immediate aftermath of the invasion of Ukraine, the rate of increase remains stubbornly higher than anything recorded by the survey in the two decades leading up to the pandemic.*

*“However, the bigger picture is that the improvement in order book growth adds to signs that a near-term recession has been avoided, and an upturn in companies’ expectations for the year ahead indicates that business sentiment has been little affected so far by the banking sector woes and that firms are more focused on growth possibilities.”*

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

*“A relatively stable result for UK private sector business in March, even with the slight fall in manufacturing output. Customer demand picked up, supported by improvements in inflation rates and a solid rise in service business.*

*“The service sector continued on its robust growth path for the second month in a row and new orders accelerated at the fastest pace since March 2022 as confidence amongst consumers began to return. Overall activity would have been stronger if services businesses could have found more candidates with the right skills and experience as the labour market in the UK remains tight.*

*“The manufacturing sector’s undoing remained falling pipelines of new work. In spite of supply chain strength returning, less work resulted in job shedding and lower purchasing volumes as the sector failed to gain momentum and fell into contraction again.*

*“In contrast to recent consumer price inflation figures, the latest data showed that cost rises for businesses seem to be easing. With optimism the strongest since March 2022, private sector businesses are relieved that the UK appears to have dodged a recession, technically at least, though customs delays and the painful price increases in items such food and fuel remain challenges for the year ahead.”*

-Ends-

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## Note to Editors

Final March data are published on 3 April for manufacturing and 5 April for services and composite indicators.

The S&P Global / CIPS Flash UK Composite PMI<sup>®</sup> 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<sup>®</sup> (PMI<sup>®</sup>). 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](mailto: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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## 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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