

# S&P Global Flash UK PMI<sup>®</sup>

## Business activity growth edges up in January, but job cuts continue as cost inflation hits 20-month high

### Key findings, January:

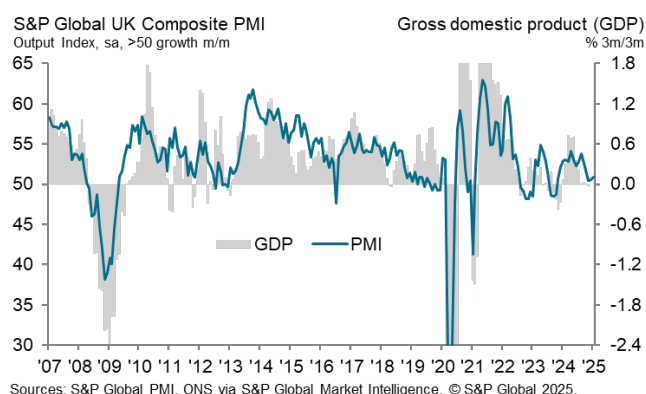
Flash UK PMI Composite Output Index<sup>(1)</sup>: 50.9 (Dec: 50.4). 3-month high.

Flash UK Services PMI Business Activity Index<sup>(2)</sup>: 51.2 (Dec: 51.1). 3-month high.

Flash UK Manufacturing Output Index<sup>(3)</sup>: 49.3 (Dec: 45.9). 3-month high.

Flash UK Manufacturing PMI<sup>(4)</sup>: 48.2 (Dec: 47.0). 3-month high.

Data were collected 09-22 January



UK private sector output expanded marginally in January, with the rate of growth edging up to a three-month high. This was largely due to sustained modest growth in the service economy, which offset lower manufacturing production. However, total new work fell at the fastest pace since October 2023. Survey respondents cited subdued underlying demand conditions and cutbacks to non-essential spending.

Employment levels decreased for the fourth month running, which businesses often linked to rising cost pressures. Input price inflation accelerated to its strongest since May 2023. Meanwhile, average prices charged by private sector firms increased at the fastest pace for 18 months in January.

The headline seasonally adjusted **S&P Global Flash UK PMI Composite Output Index** registered 50.9 in January, up from 50.4 in the previous month and the highest reading since October 2024. Although signalling

a faster expansion of private sector output at the start of 2025, the latest reading was only slightly above the 50.0 no-change month and remained lower than the long-run series average (53.6).

Marginal business activity growth across the service sector (index at 51.2) contrasted with a reduction in manufacturing output for the third month running (49.3). That said, the rate of contraction in the manufacturing sector eased markedly since December. Companies reporting a rise in business activity generally cited efforts to complete unfinished work, alongside a positive impact from new product launches and successful marketing strategies.

Lacklustre sales pipelines were signalled in January, with incoming new business decreasing for the second month running. Although only marginal, the rate of decline was the fastest since October 2023. Service providers recorded an overall reduction in new work for the first time in 15 months, while manufacturers saw order books shrink for the fourth month running. Survey respondents noted that unfavourable domestic economic conditions and rising inflationary pressures had weighed on demand at the start of 2025. Some firms also suggested that higher long-term interest rate expectations had dampened market conditions.

Staffing numbers continued to fall across the private sector, which extended the downward trend that began in October 2024. A solid overall reduction in workforce levels reflected cutbacks in both the manufacturing and service sectors, with the latter recording the faster pace of job shedding. Lower employment was typically attributed to hiring freezes and the non-replacement of voluntary leavers in the wake of rising payroll costs. Many firms suggested that the forthcoming hike in employers' National Insurance had resulted in cutbacks to recruitment plans, while others cited the impact of a post-Budget slump in business confidence.

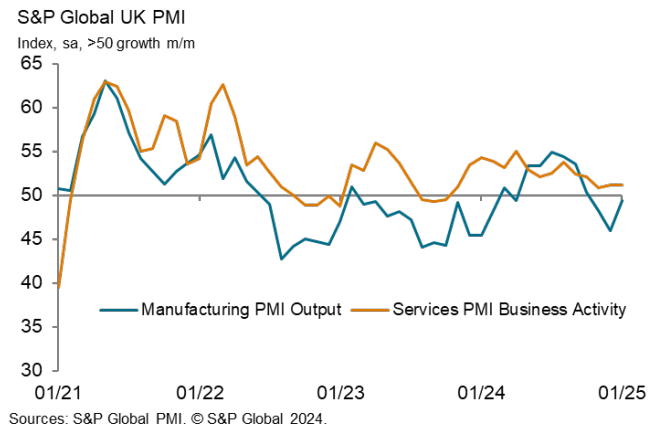
January data signalled a sharp and accelerated increase in overall cost burdens across the private sector economy. The rate of inflation was the steepest for just over one-and-a-half years, with marked accelerations seen in both the manufacturing and service sectors. Survey respondents often commented on higher salary payments, energy costs and prices paid for imported raw materials. Efforts to pass on higher

## News release

business expenses resulted in a robust increase in average prices charged, with the rate of inflation the fastest since July 2023.

Meanwhile, business activity expectations weakened for the sixth consecutive month in January. The respective index pointed to the lowest degree of business optimism since December 2022, with the latest decline driven by falling confidence across the service economy.

Companies expecting growth over the course of 2025 mostly cited new product launches, the impact of rising technology spending, resilient demand for business services, and planned expansion in overseas markets. Meanwhile, those forecasting a downturn in business activity during the year ahead overwhelmingly noted unfavourable UK economic prospects, higher employment costs, and a post-Budget slump in clients' investment spending plans.



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

*“The first indicators of business conditions in 2025 add to the gloom about the UK economy, with companies cutting employment amid falling sales and concerns about business prospects. Inflation pressures have meanwhile reignited, pointing to a stagflationary environment which poses a growing policy quandary for the Bank of England.*”

*“While output growth ticked higher, the improvement does little to move the dial on a speedometer which points to an economy that is broadly flatlining.*”

*“Risks also remain tilted to the downside. The subdued business activity seen in January was accompanied by sustained downbeat business optimism about future prospects, the mood remaining the darkest seen for two years, and a further worsening of the demand environment, as reflected in falling order books.*”

*“The loss of confidence, combined with widespread concerns over higher staff costs associated with the Budget, pushed employment sharply lower again. Barring the job cutting seen during the pandemic, the rate of job losses signalled by the PMI over the past two months has been the highest since the global financial crisis in 2009.*”

*“The survey’s price indices are meanwhile indicating that inflation is turning higher again, presenting the Bank of England with a policy dilemma. While the stalled economy and deteriorating jobs market suggest there’s an increased need for rate cuts to stimulate growth, the rise in price pressures hints that the inflation genie is by no means back in its bottle.”*

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### Notes to editors

Final January data are published on 3 February for manufacturing and 5 February for services and composite indicators.

The S&P Global 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 = 0.2 (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](mailto: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<sup>®</sup>

by **S&P Global**

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