

## MARKET SENSITIVE INFORMATION

Embargoed until 0930 BST (0830 UTC) 23 April 2024

# S&P Global Flash United Kingdom PMI®

## Fastest expansion of output since May 2023, but cost pressures intensify

### Key findings:

Flash UK PMI Composite Output Index<sup>(1)</sup> at 54.0 (Mar: 52.8). 11-month high.

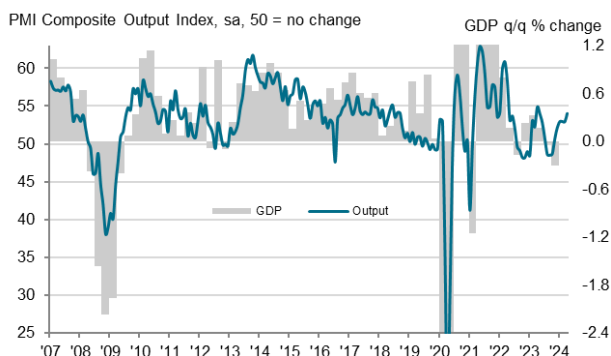
Flash UK Services PMI Business Activity Index<sup>(2)</sup> at 54.9 (Mar: 53.1). 11-month high.

Flash UK Manufacturing Output Index<sup>(3)</sup> at 49.1 (Mar: 50.9). 2-month low.

Flash UK Manufacturing PMI<sup>(4)</sup> at 48.7 (Mar: 50.3). 2-month low.

Data were collected 11-19 April

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



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

UK private sector activity expanded for the sixth consecutive month in April as a robust recovery in service sector output helped to offset a marginal decline in manufacturing production. Output growth was supported by a solid upturn in new order volumes and a modest acceleration in staff hiring, in each case driven by the service economy.

April data indicated a steep increase in average cost burdens across the private sector, with the rate of inflation up sharply from March and the highest since May 2023. Stronger input price inflation was overwhelmingly linked to higher staff wages, particularly in the hospitality and leisure sector. Many survey respondents noted pressure on labour costs from a near 10% annual increase in the National Living Wage and an indirect impact on pay awards to other employees.

At 54.0 in April, up from 52.8 in March, the headline

seasonally adjusted **S&P Global Flash UK PMI Composite Output Index** signalled the strongest rate of business activity expansion since May 2023.

**Service providers** indicated a robust and accelerate rise in business activity during April, with the rate of growth the fastest for 11 months. Survey respondents typically commented on rising business and consumer spending, supported by a recovery in broader economic conditions. That said, some firms noted that cost of living pressures and subdued confidence among clients had acted as a brake on growth.

**Manufacturing production** declined slightly in April, reversing the positive trend seen during the previous survey period. Lower output levels were often linked to weak market conditions and customer destocking in line with reduced demand.

**New business** volumes increased across the private sector as a whole in April. The rate of growth was the strongest since May 2023, but the expansion was centred on the service economy as manufacturers saw a moderate downturn in order books. There were also divergent trends for **export sales**, with service providers recording the sharpest upturn for 13 months while goods producers experienced another decline. Survey respondents mostly reported stronger demand from the US and Asia. Manufacturers often noted weak sales to European clients.

UK private sector **employment** increased marginally in April. The rate of job creation nonetheless picked up since March and was the fastest for nine months. Additional recruitment was attributed to rising business activity and a subsequent need to boost operating capacity. Some firms cited constraints on hiring amid a shortage of candidates to fill vacancies. A number of firms also noted the non-replacement of voluntary leavers due to cost pressures.

**Input price inflation** accelerated sharply in April, with overall cost pressures the strongest seen for 11 months. Service providers continued to record a much faster rise in input prices than manufacturing companies, although the latter saw the greatest increase since February 2023 amid higher transportation and raw material prices. The rate of cost inflation in the service sector was the steepest since last July, which was almost exclusively linked to higher salary payments during the latest survey period.

In contrast to the trend for input costs, latest data signalled

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a slight moderation in the rate of **prices charged inflation** across the UK private sector economy. Moreover, the overall increase in output charges during April was the slowest seen since February 2021. This was driven by another fall in prices charged inflation across the service economy. Survey respondents suggested that competitive pressures and efforts to stimulate sales had limited their scope to pass on higher salary costs to clients.

Finally, **business activity expectations** for the next 12 months remained upbeat in April, with the degree of optimism higher than at any time in 2023. Service providers were more confident than manufacturers in April as the latter signalled the lowest level of optimism so far this year. Positive sentiment typically reflected more buoyant market conditions, a recent turnaround in client demand and improved economic prospects for the year ahead. There were some reports that elevated borrowing costs and domestic political uncertainty ahead of the general election had dampened business optimism.

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

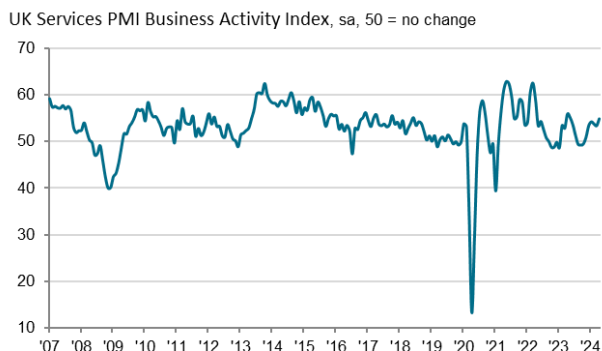
*“Early PMI survey data for April indicate that the UK economy's recovery from recession last year continued to gain momentum. Improved growth in the service sector offset a renewed downturn in manufacturing to propel overall business growth to the fastest for nearly a year, indicating that GDP is rising at a quarterly rate of 0.4% after a 0.3% gain in the first quarter.*

*“The upturn encouraged firms to take on workers in increased numbers which, alongside April's rise in the National Living Wage, drove cost pressures sharply higher. Although selling price inflation cooled slightly, the upturn in costs alongside solid demand suggests firms may seek to raise prices in the coming months.*

*“While the improving economic recovery picture is welcome news, the upward pressure on inflation will add to concerns that a sustainable path to below target inflation has not yet been achieved.”*

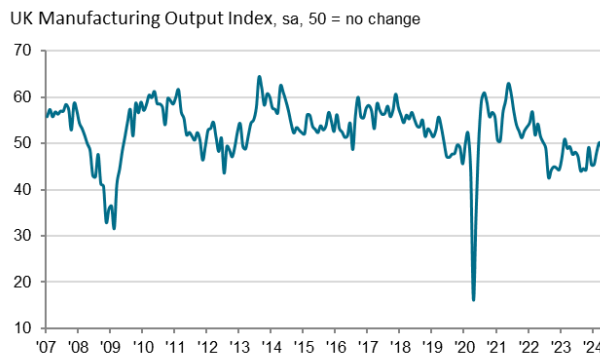
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## S&P Global Flash UK Services PMI Business Activity Index



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 April data are published on 1 May for manufacturing and 3 May 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)

# PMI<sup>®</sup>

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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](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.

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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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