

MARKET SENSITIVE INFORMATION

Embargoed until 0930 GMT (0930 UTC) 24 January 2024

S&P Global Flash United Kingdom PMI®

Recovery in private sector output gains momentum in January, but Red Sea crisis hits manufacturing supply chains and pushes up input costs

Key findings:

Flash UK PMI Composite Output Index⁽¹⁾ at 52.5 (Dec: 52.1). 7-month high.

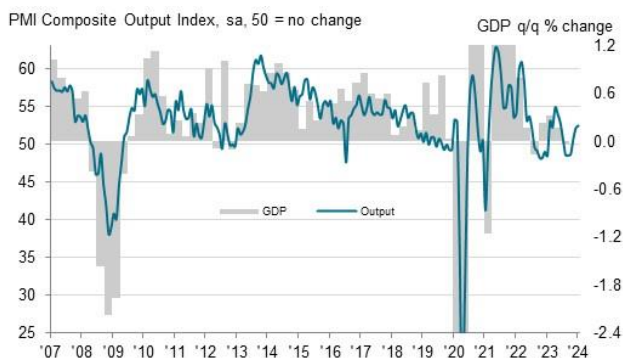
Flash UK Services PMI Business Activity Index⁽²⁾ at 53.8 (Dec: 53.4). 8-month high.

Flash UK Manufacturing Output Index⁽³⁾ at 44.9 (Dec: 45.5). 3-month low.

Flash UK Manufacturing PMI⁽⁴⁾ at 47.3 (Dec: 46.2). 9-month high.

Data were collected 11-22 January

S&P Global Flash UK PMI Composite Output Index



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

January data revealed a stronger upturn in UK private sector output than at the end of 2023, led by a further rebound across the service economy. The rise in service sector activity was the fastest since last May, whereas manufacturing production decreased to the greatest extent for three months. The latest survey also indicated a return of modest private sector employment growth at the start of 2024, supported by improving demand conditions and higher levels of optimism towards the business outlook.

Private sector firms meanwhile recorded the steepest rise in input costs since August 2023, driven by renewed cost pressures in the manufacturing sector. There were widespread reports of higher freight costs in the wake of the Red Sea crisis. Moreover, global shipping delays meant that suppliers' delivery times lengthened for the first time in 12 months and to the greatest extent since

September 2022.

The headline seasonally adjusted **S&P Global Flash UK PMI Composite Output Index** registered 52.5 in January, up from 52.1 in December and above the neutral 50.0 threshold for the third month running. The latest reading pointed to the strongest rate of output growth since June 2023. The index has picked up in each month since hitting an eight-month low last September (48.5).

A solid increase in **service sector activity** helped to boost private sector output at the start of the year. The rate of expansion accelerated to its fastest for eight months. Survey respondents mostly commented on improved confidence among clients and some cited a turnaround in demand due to lower borrowing costs. In contrast to the positive trend in the service economy, **manufacturing production** fell for the eleventh month running and at the fastest pace since last October. This was often attributed to weak order books and overstocked customers.

Total new work across the private sector increased moderately in January and the rate of growth edged up to its strongest since May 2023. A number of firms suggested that improving optimism with regards to the UK economic outlook had helped to support business and consumer spending, despite constraints on budgets from elevated inflationary pressures. **Export sales** remained a weak spot, however, with a sustained decline in the manufacturing sector offsetting modest growth in the service economy.

January data signalled a modest rise in private sector **employment**, which ended a four-month period of job shedding. Higher staffing levels reflected a rebound in service sector recruitment, which survey respondents linked to new project starts and anticipated demand growth. That said, there were still many reports citing redundancies and the non-replacement of voluntary leavers, especially in the manufacturing sector. This often reflected strong wage pressures alongside excess business capacity, as signalled by a further reduction in **backlogs of work** across the private sector in January.

Manufacturing supply chains were impacted by longer wait times for container freight during January in the wake of the Red Sea crisis. Latest data pointed to the steepest lengthening of **vendor delivery times** since September

PMI®

by **S&P Global**

News Release

2022, which ended an eleven-month period of steady improvement. Supplier delays were overwhelmingly linked to longer international shipping times as vessels rerouted away from the Suez Canal. At the same time, **pre-production inventories** fell to the greatest extent since last August as safety stocks were depleted.

Rising ocean freight rates contributed to a solid increase in **cost burdens** across the manufacturing sector in January, with the rate of inflation the highest since March 2023. Factory gate prices increased only modestly, albeit at the joint-fastest pace for eight months.

Service providers meanwhile signalled another steep rise in input prices, which was mostly linked to strong wage pressures. However, the latest increase in operating expenses was the slowest for three months and this allowed for a softer rise in their average prices charged. Measured overall, **prices charged** by private sector firms increased at the weakest pace since last October.

Despite upward pressure on transportation costs and longer wait times for raw materials, the latest survey indicated that UK businesses were more upbeat about the **growth outlook for the next 12 months**. The degree of confidence was the highest since May 2023, with both manufacturers and service providers signalling rising business optimism at the start of the year. Stronger confidence was attributed to positive signals for client spending, long-term business investment plans, and hopes of a turnaround in the broader economic backdrop. Survey respondents continued to cite concerns about global geopolitical risks, Brexit-related challenges, and the impact of cost of living pressures on customer demand.

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

“UK business activity growth accelerated for a third straight month in January, according to early PMI survey data, marking a promising start to the year. The survey data point to the economy growing at a quarterly rate of 0.2% after a flat fourth quarter, therefore skirting recession and showing signs of renewed momentum.

“Businesses have also become more optimistic about the year ahead, with confidence rebounding to its highest since last May. Business activity and confidence are being in part driven by hopes of faster economic growth in 2024, in turn linked to the prospect of falling inflation and commensurately lower interest rates.

“However, the surprising strength of growth in January, which has exceeded forecasts, may deter the Bank of England from cutting interest rates as soon as many are expecting, especially as supply disruptions in the Red Sea are reigniting inflation in the manufacturing sector. Supply delays have spiked higher as shipping is re-routed around the Cape of Good Hope, the longer journey times lifting factory costs at a time of still-elevated price pressures in the service sector. Inflation is therefore indicated to remain stubbornly higher in the 3-4% range in the near future.”

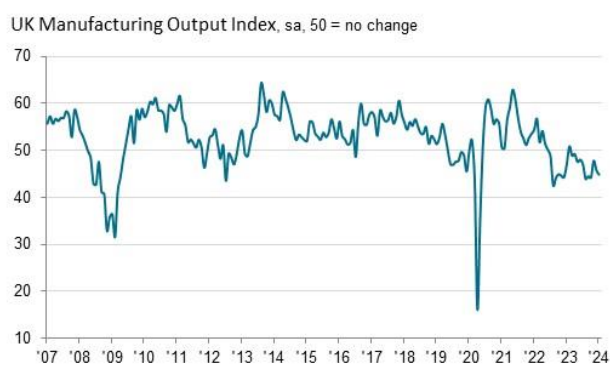
News Release

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.

Contact

S&P Global Market Intelligence

Tim Moore
Economics Director
Telephone +44-1491-461-067
Email: tim.moore@spglobal.com

Sabrina Mayeen
Corporate Communications
Telephone +44 (0) 7967 447030
Email sabrina.mayeen@spglobal.com

Note to Editors

Final January data are published on 1 February for manufacturing and 5 February 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.

News Release

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.

S&P Global (NYSE: SPGI)

S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

S&P Global is a registered trademark of S&P Global Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2024 S&P Global Ltd. All rights reserved. www.spglobal.com

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.

www.spglobal.com/marketintelligence/en/mi/products/pmi.html

If you prefer not to receive news releases from S&P Global, please contact joanna.vickers@spglobal.com. To read our privacy policy, [click here](#).

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("Data") contained herein, any errors, inaccuracies, omissions or delays in the Data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and PMI® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.