

S&P Global Flash UK PMI[®]

Output growth slows in July as service sector recovery loses momentum

July 2025

Flash UK PMI Composite Output Index: 51.0
(Jun: 52.0). 2-month low.

Flash UK Services PMI Business Activity Index: 51.2 (Jun: 52.8). 2-month low.

Flash UK Manufacturing Output Index: 50.0
(Jun: 47.0). 9-month high.

Flash UK Manufacturing PMI: 48.2
(Jun: 47.7). 6-month high.

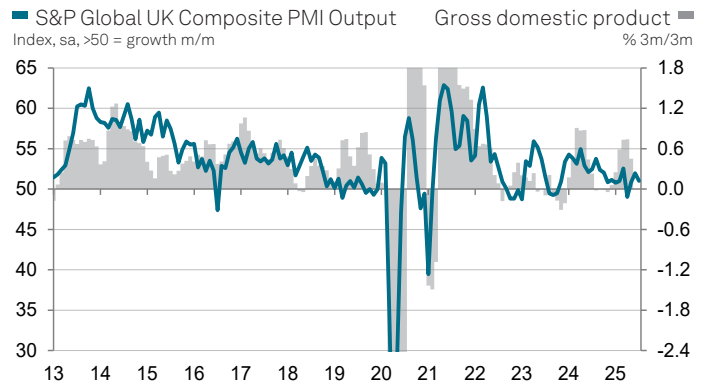
UK private sector output continued to increase in July, according to the latest survey data from the S&P Global Flash UK PMI[®]. However, the rate of growth was only marginal and lost momentum since June amid a renewed decline in new work.

Staffing numbers decreased at the fastest pace since February. Survey respondents widely commented on the need to reduce headcounts in response to higher payroll costs and subdued customer demand. Input price inflation accelerated for the first time in three months in July, reflecting stronger cost pressures in both the manufacturing and service sectors.

Adjusted for seasonal influences, the S&P Global Flash UK PMI Composite Output Index registered 51.0 in July, down from a nine-month high of 52.0 in June. The latest reading was above the 50.0 no-change mark for the third month running and signalled a marginal increase in business activity levels.

Output growth was driven by the service economy in July, with some survey respondents commenting on an uptick in consumer spending. Service providers widely noted headwinds to sales pipelines from fragile domestic economic conditions and elevated geopolitical uncertainty. Manufacturing production meanwhile stabilised in July, which ended an eight-month period of contraction. Goods producers nonetheless widely commented on challenging business conditions, especially in major export markets as US tariffs resulted in delayed spending decisions.

July data indicated a renewed decline in total new work received by UK private sector firms, following a marginal rise in the previous survey period. This was driven by the sharpest fall in new orders across the service economy since April.



Data were collected 10-22 July 2025.

Sources: S&P Global PMI, ONS via S&P Global Market Intelligence. ©2025 S&P Global.

Comment

Chris Williamson, Chief Business Economist at S&P Global Market Intelligence:

"The flash UK PMI survey for July shows the economy struggling to expand as we move into the second half of the year. Output growth weakened to a pace indicative of the economy growing at a mere 0.1% quarterly rate, with risks tilted to the downside in the coming months.

"The sluggish output growth reported in July reflected headwinds of deteriorating order books, subdued business confidence and rising costs, all of which were widely linked to the ongoing impact of the policy changes announced in last autumn's Budget and the broader destabilising effect of geopolitical uncertainty.

"Particularly worrying is the sustained impact of the Budget measures on employment. Higher staffing costs have exacerbated firms' existing concerns over payroll numbers in the current environment of weak demand, resulting in another month of sharply reduced headcounts in July.

"The weak growth trajectory and sustained culling of jobs will add to pressure on the Bank of England to cut rates again at its next policy meeting in August. It seems likely that the disappointing growth and labour market trends will increasingly dominate the inflation forecasting narrative, encouraging policymakers to 'look through' the recent rise in price pressures and instead focus on helping to revive growth."

Overall export sales decreased for the ninth consecutive month, albeit to the least marked extent since January. Goods producers widely reported a negative impact on global demand for manufacturing items in the wake of US tariff announcements, with shipments delayed and investment decisions postponed. Manufacturers also noted that rising competition in international markets had constrained export order intakes.

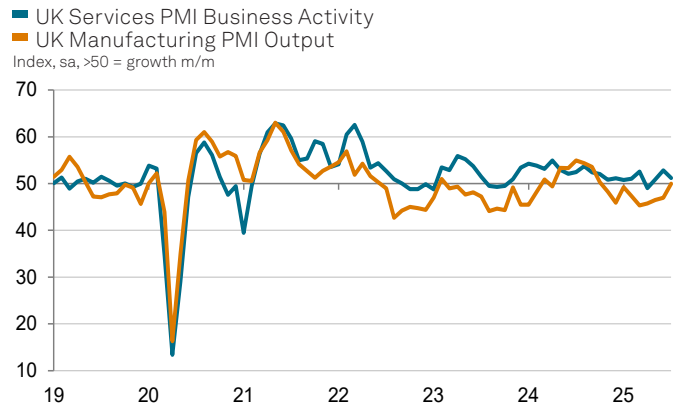
Service providers also recorded a decline in new work from abroad in July, but the rate of contraction was only marginal. While survey respondents mostly noted subdued overseas demand, some firms commented on successful efforts to diversify into new export markets in response to weak domestic sales.

Lower volumes of new work contributed to a reduction in private sector employment for the tenth consecutive month during July. The latest survey indicated that the rate of job shedding accelerated to its fastest since February amid steeper reductions in both the manufacturing and service sectors. Anecdotal evidence widely cited increased payroll costs as a factor leading to workforce restructuring through a mixture of hiring freezes and redundancies.

Average cost burdens increased sharply across the private sector economy, with the overall rate of input price inflation accelerating from June's six-month low. Survey respondents again commented on strong wage inflation and efforts by suppliers to pass on higher National Insurance costs and National Minimum Wage rates. Some firms also noted higher transportation costs and food prices in July.

Meanwhile, prices charged by private sector businesses increased at a robust pace in July, with the rate of inflation picking up for the first time since April. This was driven by a faster increase in selling prices at service providers.

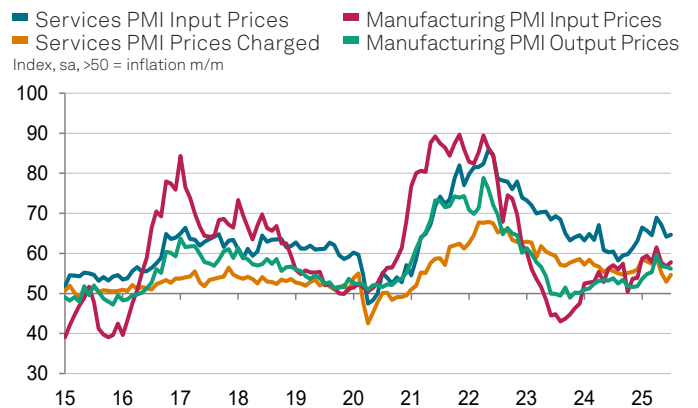
Looking ahead, private sector firms on balance continue to anticipate a rise in business activity during the next 12 months. The degree of confidence edged up since June, but remained subdued in comparison to the post-pandemic trend. Survey respondents noted hopes of a boost from lower borrowing costs, pent-up customer demand and a rebound in global investment spending. Some manufacturers also commented on rising demand linked to greater defence spending. However, many firms noted severe headwinds from unfavourable domestic economic conditions, geopolitical instabilities and elevated global trade uncertainties.



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Methodology

Final July data are published on 1 August for manufacturing and 5 August 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.

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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.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

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