

# S&P Global Flash UK PMI®

## Sustained drop in private sector employment amid weaker business optimism and rising cost inflation in November

### Key findings, November:

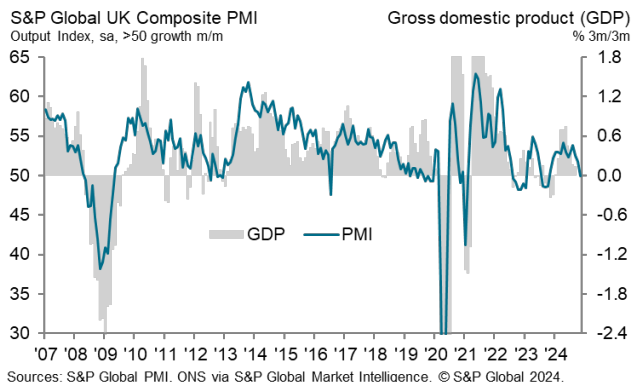
Flash UK PMI Composite Output Index<sup>(1)</sup>: 49.9 (Oct: 51.8). 13-month low.

Flash UK Services PMI Business Activity Index<sup>(2)</sup>: 50.0 (Oct: 52.0). 13-month low.

Flash UK Manufacturing Output Index<sup>(3)</sup>: 49.3 (Oct: 50.3). 9-month low.

Flash UK Manufacturing PMI<sup>(4)</sup>: 48.6 (Oct: 49.9). 9-month low.

Data were collected 12-20 November



UK private sector firms indicated a fractional decline in business activity during November, thereby ending a 12-month period of sustained expansion. At the same time, new order growth eased to its lowest for one year amid widespread reports of fragile business confidence.

Concerns about the business outlook, as well as stronger input price inflation, impacted negatively on workforce numbers in November. Marginal reductions in private sector employment have been recorded in each of the past two months, with survey respondents often citing the non-replacement of voluntary leavers to help offset forthcoming rises in payroll costs.

The headline seasonally adjusted S&P Global Flash UK PMI Composite Output Index registered 49.9 in November, down from 51.8 in the previous month and the lowest since October 2023. With the index now below the neutral 50.0 threshold, the latest reading indicated a fractional dip in UK private sector output

volumes after 12 months of modest growth.

Service providers (index at 50.0) indicated unchanged levels of business activity in November. Manufacturers signalled a marginal reduction in production volumes (49.3) and the rate of decline was the fastest since February. Survey respondents typically commented on subdued customer demand. Some firms noted delayed investment decisions, as well as cutbacks to new projects in response to worsening domestic business conditions and geopolitical uncertainty.

November data indicated that total new business growth across the private sector economy was the weakest since the current phase of expansion began in December 2023. Service providers mostly cited headwinds from subdued business confidence and caution among clients in the wake of the Autumn Budget. Some firms suggested that clarity following the US election had a positive impact on demand.

Manufacturers recorded a solid decline in new work and the rate of contraction accelerated to the fastest since February. Lower sales were commonly linked to weaker global economic conditions, reduced capital spending, and intense competition in export markets. Goods producers in the automotive sector also noted a general slump in demand.

Backlogs of work across the private sector economy decreased for the nineteenth consecutive month in November, which often reflected sufficient spare capacity amid a softer rate of new business expansion. A combination of weak demand and rising payroll costs led to another marginal decline in private sector employment. Reduced headcounts were recorded in both the manufacturing and service sectors, with the former posting the fastest downturn for nine months. Private sector firms widely commented on hiring freezes and avoiding replacing voluntary leavers.

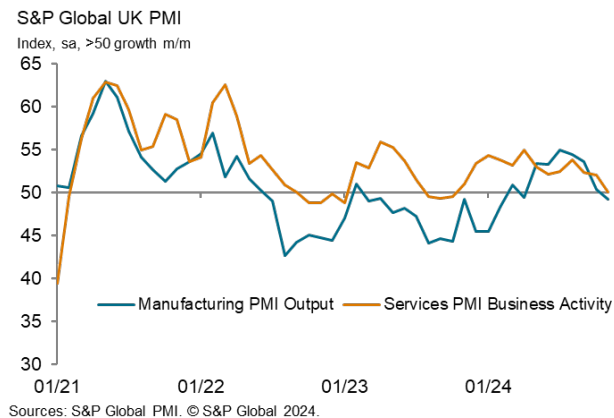
Average cost burdens increased at a robust and accelerated pace in November. This was driven by the steepest rise in input prices across the service sector since July. Survey respondents mostly noted strong salary pressures, alongside rising technology costs, food prices and energy bills. Manufacturers also cited elevated transport costs, but some reported successful negotiations with suppliers to pass on lower commodity prices.

## News release

Prices charged inflation resumed its downward trajectory in November, despite a faster increase in overall input costs. Moreover, the latest rise in average prices charged by private sector firms was the slowest since February 2021. Service providers continued to indicate a much steeper rate of prices charged inflation than manufacturing firms, although both eased slightly since October. Many survey respondents noted that selling prices had been increased to maintain margins ahead of the rise in employer national insurance contributions from April 2025.

Finally, the latest survey data indicated a sharp drop in business optimism since October. Sentiment regarding business activity expectations for the year ahead was the least upbeat since December 2022, largely due to a considerable slide in service sector confidence. Reports from service providers overwhelmingly linked weaker optimism to forthcoming increases in payroll costs, alongside perceived disincentives to expand investments and hire additional staff.

Domestic economic concerns were cited as a constraint on growth expectations in the manufacturing sector during November, but overall confidence was only slightly weaker than in the previous month. While some goods producers noted worries about renewed global trade frictions in 2025, others hoped that clarity following the US elections would unlock paused investment decisions in some industry sectors.



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

*“The first survey on the health of the economy after the Budget makes for gloomy reading. Businesses have reported falling output for the first time in just over a year while employment has now been cut for two consecutive months. Although only marginal, the downturns in output and hiring represent marked contrasts to the robust growth rates seen back in the summer and are accompanied by deepening concern about prospects for the year ahead.*”

*“Business optimism has slumped sharply since the General Election, dropping further in November to hit the lowest since late 2022. Companies are giving a clear ‘thumbs down’ to the policies announced in the Budget, especially the planned increase in employers’ National Insurance contributions.*”

*“The November PMI is indicative of the economy slipping into a modest decline, with GDP dropping at a 0.1% quarterly rate, but the loss of confidence hints at worse to come – including further job losses – unless sentiment revives.*”

*“Encouragingly, inflation pressures have moderated further, with selling prices rising at the slowest rate seen this side of the pandemic. However, still-elevated rates of wage-related price and cost growth are being recorded in the service sector, potentially limiting scope for rate cuts among the more hawkish policymakers.”*

### Contact

Tim Moore  
Economics Director  
S&P Global Market Intelligence  
T: +44-1491-461-067  
[tim.moore@spglobal.com](mailto:tim.moore@spglobal.com)

Sabrina Mayeen  
Corporate Communications  
S&P Global Market Intelligence  
T: +44 (0) 7967 447030  
[sabrina.mayeen@spglobal.com](mailto:sabrina.mayeen@spglobal.com)

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### Notes to editors

Final November data are published on 2 December for manufacturing and 4 December 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>

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