

## MARKET SENSITIVE INFORMATION

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# S&P Global / CIPS Flash United Kingdom PMI®

## Renewed service sector growth helps to stabilise UK economy, but prices charged inflation accelerates in November

### Key findings:

Flash UK PMI Composite Output Index<sup>(1)</sup> at 50.1 (Oct: 48.7). 4-month high.

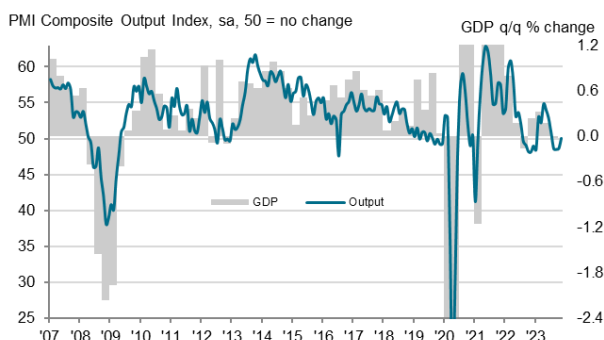
Flash UK Services PMI Business Activity Index<sup>(2)</sup> at 50.5 (Oct: 49.5). 4-month high.

Flash UK Manufacturing Output Index<sup>(3)</sup> at 47.9 (Oct: 44.3). 5-month high.

Flash UK Manufacturing PMI<sup>(4)</sup> at 46.7 (Oct: 44.8). 6-month high.

Data were collected 09-21 November

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



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

November data indicated a stabilisation of UK private sector output, following marginal reductions in each of the previous three months. This was supported by a return to business activity expansion in the service economy, alongside a softer downturn in manufacturing production. However, total new order intakes decreased for the fifth month running, which suggested that subdued underlying demand conditions persisted.

There were renewed signs of sticky inflation in November as both input costs and average prices charged increased at faster rates than in October. Service providers reported the sharpest rise in their average charges since July, which was overwhelmingly linked to higher staff costs.

The headline seasonally adjusted **S&P Global / CIPS Flash UK PMI Composite Output Index** registered 50.1, up from 48.7 in October and above the crucial 50.0 no-

change value for the first time since July.

Broadly stable private sector output masked divergent trends among **manufacturing** and **services** companies during November. The former saw another reduction in production volumes, while service providers experienced marginal business activity growth. Survey respondents commented on a tentative revival in business services activity and resilient corporate spending. Where falling business activity was reported, this was often attributed by manufacturers and service providers to reduced discretionary consumer spending and cost-of-living pressures. Manufacturers also noted that customer destocking continued to act as a headwind to demand.

**Total new work** decreased for the fifth month running, albeit only marginally and at the slowest pace since July. Reduced volumes of new business were commonly linked to unfavourable domestic economic conditions, with many firms noting that sluggish demand had led to difficulties converting sales opportunities. Survey respondents also noted that elevated borrowing costs was a factor that had impacted demand, particularly among clients in the construction sector. Moreover, there was little support from overseas demand in November, with overall **export sales** decreasing in both the manufacturing and service sectors.

Additional work on unfinished projects appeared to boost private sector output in November. This was signalled by the strongest depletion of **backlogs of work** since August. Meanwhile, a lack of pressure on operating capacity meant that total **employment** numbers were broadly unchanged. There was a marginal rise in service sector hiring, which ended a two-month period of net job shedding.

On the inflation front, overall **cost pressures** across the private sector economy remained much softer than seen in the third quarter of 2023. However, the rate of input price inflation accelerated slightly from October's 33-month low. Strong wage inflation and the need to pass on higher fuel costs to customers continued to push up **average prices charged** in November. The overall rate of output charge inflation was the strongest for four months, largely due to a robust and accelerated increase in the service economy.

Finally, the latest survey pointed to resilient **business activity expectations** for the year ahead. The degree of optimism picked up from October's ten-month low, driven

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by rising confidence in the service sector. Survey respondents noted hopes of a turnaround in broader economic conditions over the course of 2024, despite many citing worries about the impact of elevated interest rates and heightened global geopolitical uncertainty. Manufacturers meanwhile indicated that growth projections eased to the weakest since December 2022, which they mostly linked to low confidence among customers.

Commenting on the flash PMI data, **Tim Moore**, Economics Director at S&P Global Market Intelligence said:

*“The UK economy found its feet again in November as the service sector arrested a three-month sequence of decline and manufacturers began to report less severe cutbacks to production schedules. Relief at the pause in interest rate hikes and a clear slowdown in headline measures of inflation are helping to support business activity, although the latest survey data merely suggests broadly flat UK GDP in the final quarter of 2023.*

*“Prominently cited areas of strength were corporate budgets for technology investment and general spending on essential business services. Discretionary household spending remained a weak link, as many private sector businesses noted low consumer confidence and cost-of-living pressures. Meanwhile, a number of firms reported falling demand due to construction sector cutbacks and post-pandemic customer destocking was still a headwind for the manufacturing sector.*

*“The survey’s forward-looking indicators suggested that recession risks will likely remain elevated into the New Year, as new orders decreased for the fifth month running amid ongoing reports of subdued sales opportunities. At the same time, business activity expectations held close to October’s recent low and remained notably soft in comparison to the first half of 2023.*

*“Finally, overall input cost pressures picked up for the first time in four months. Service sector inflation was a key area of concern as businesses once again reported the need to pass on higher staff costs to customers. Measured overall, prices charged by UK private sector firms increased at the fastest pace since July, led by a robust and accelerated rise among service providers.”*

**Dr John Glen**, CIPS Chief Economist said:

*“November’s data reveals welcome signs of calmer waters ahead for the UK economy, albeit with indications that there is still a little way to go before we are completely out of the inflationary storm.*

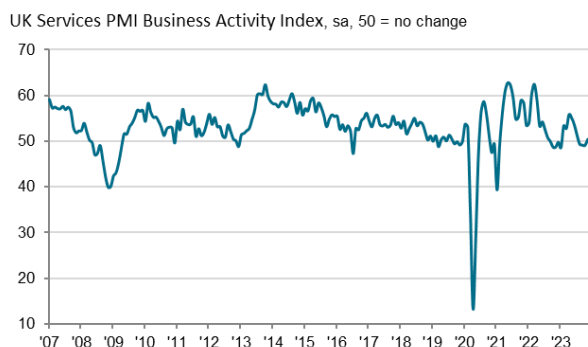
*“The overall uptick in activity was driven by the services sector, which benefited from the pause in the hiking of interest rates and improving business conditions. However, challenges persist for UK manufacturing, with subdued demand leading to decreasing production volumes. Manufacturers will be hoping the permanent extension of the full expensing tax break and the further investment into strategic manufacturing announced in yesterday’s Autumn Statement will give the sector the timely boost it needs.*

*“The UK is not alone in continuing to face a challenging economic environment, and the fall in export sales for both manufacturing and services shows that UK businesses cannot rely on international sources to help them replace diminished domestic demand.*

*“The sticky nature of inflation will be a cause of concern for businesses. Despite headline inflation heading in the right direction, the rates of input cost and output charge inflation both increased in November, indicating that price pressures may not be on a one-way path downwards and there could still be fluctuations to come.”*

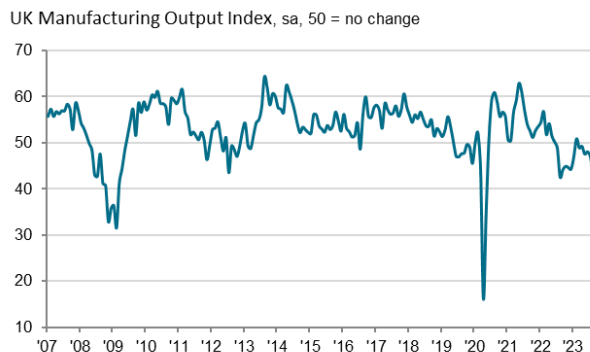
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## S&P Global / CIPS Flash UK Services PMI Business Activity Index



Sources: S&P Global PMI, CIPS.

## S&P Global / CIPS Flash UK Manufacturing Output Index



Sources: S&P Global PMI, CIPS.

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## Note to Editors

Final November data are published on 1 December for manufacturing and 5 December for services and composite indicators.

The S&P Global / CIPS 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.

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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.

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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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