News Release

MARKET SENSITIVE INFORMATION
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S&P Global Flash United Kingdom PMI®

UK private sector growth slips to an 11-month low in October

Key findings:

Flash UK PMI Composite Output Index(1) at 51.7 (Sep: 52.6). 11-month low.

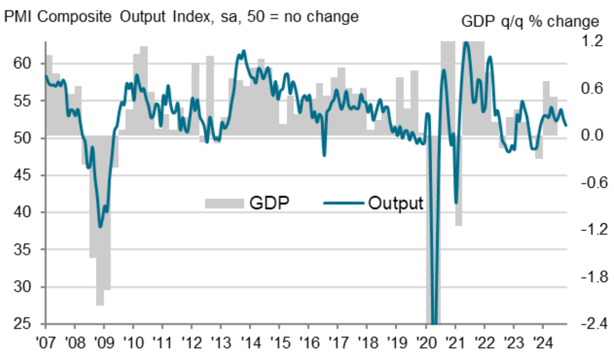
Flash UK Services PMI Business Activity Index(2) at 51.8 (Sep: 52.4). 11-month low.

Flash UK Manufacturing Output Index(3) at 50.9 (Sep: 53.6). 6-month low.

Flash UK Manufacturing PMI(4) at 50.3 (Sep: 51.5). 6-month low.

Data were collected 10-22 October

S&P Global Flash UK PMI Composite Output Index



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

October data pointed to a moderate increase in UK private sector output, but the rate of expansion slowed for the second month running to its lowest since November 2023. Survey respondents widely commented on the impact of delayed decision-making among clients and heightened economic uncertainty in October. Employment was a particularly weak spot, with overall staffing numbers decreasing for the first time in 2024 to date.

Private sector firms indicated another robust rise in their average prices charged. Moreover, the rate of prices charged inflation edged up to a three-month high. Cost pressures receded again, as the latest increase in average input prices was the slowest since November 2020.

At 51.7 in October, the headline seasonally adjusted **S&P Global Flash UK PMI Composite Output Index** was down from 52.6 in September and the lowest for 11 months. The index signalled only a modest upturn in private sector output, with the rate of growth considerably slower than seen on average in the third quarter of 2024.

Service providers recorded a slightly faster pace of business activity expansion than manufacturing firms in October, but in each sector there was a loss of momentum since September. Anecdotal evidence cited business uncertainty ahead of the Autumn Budget on 30th October and concerns among clients about near-term domestic economic growth prospects.

A wait-and-see approach to major spending decisions acted as a constraint on **new business** intakes during October. Although still solid, the overall rate of new order growth eased to its lowest since June. Resilient demand in the service economy contrasted with an outright decline in new work received by manufacturing firms. Latest data also pointed to divergent **export sales** trends, with service providers signalling the fastest growth since March 2023 whereas goods producers indicated the sharpest decline in new work from abroad for eight months.

Backlogs of work decreased again in October, suggesting a lack of pressure on business capacity. Lower volumes of unfinished work have been recorded throughout the past one-and-a-half years. Excess capacity, cost pressures and general concerns about the business outlook all acted as a brake on **staff hiring** in October. Total private sector employment decreased for the first time since December 2023, albeit only marginally. This was led by the sharpest reduction in service sector workforce numbers for 13 months.

The latest survey indicated a strong increase in average **cost burdens** across the private sector economy, but the rate of inflation eased to its lowest for 47 months. Survey respondents noted decreased fuel costs and some instances of falling commodity prices. Where higher input costs were reported, this mostly reflected increased salary payments and rising prices paid for technology services. Businesses once again sought to alleviate pressure on margins by increasing their average **prices charged**. The latest survey indicated a robust rise in output charges, with the rate of inflation the highest since July.

Survey respondents meanwhile signalled a downturn in their **business activity expectations** for the year ahead. Optimism has now softened for three months in a row and

PMI® by S&P Global

the overall degree of confidence was the lowest since November 2023. Weaker growth projections were seen in both the manufacturing and service sectors in October, with the former signalling the least upbeat sentiment for almost two years. Growth expectations were typically linked to planned business investment, hopes of a gradual improvement in economic conditions and forthcoming new product launches. However, survey respondents also widely suggested that heightened political uncertainty at home and abroad had weighed on business confidence.

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

"Business activity growth has slumped to its lowest for nearly a year in October as gloomy government rhetoric and uncertainty ahead of the Budget has dampened business confidence and spending. Companies await clarity on government policy, with conflicts in the Middle East and Ukraine, as well as the US elections, adding to the nervousness about the economic outlook.

"The early PMI data are indicative of the economy growing at a meagre 0.1% quarterly rate in October, reflecting a broad-based slowing of business activity, spending and demand across both manufacturing and services.

"Worryingly, the deterioration in business confidence in the outlook has also prompted companies to reduce headcounts for the first time this year.

"Cleary, the policies announced in the Budget have the potential to play a major role in steering the direction of the economy in the months ahead.

"Encouragingly, however, a further cooling of input cost inflation to the lowest for four years opens the door for the Bank of England to take a more aggressive stance towards lowering interest rates, should the current slowdown become more entrenched."

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Note to Editors

Final October data are published on 1 November for manufacturing and 5 November 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.

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.

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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.

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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