

## MARKET SENSITIVE INFORMATION

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# S&P Global Flash United Kingdom PMI®

## Solid rise in UK private sector activity, but growth slows since August

### Key findings:

Flash UK PMI Composite Output Index<sup>(1)</sup> at 52.9 (Aug: 53.8). 2-month low.

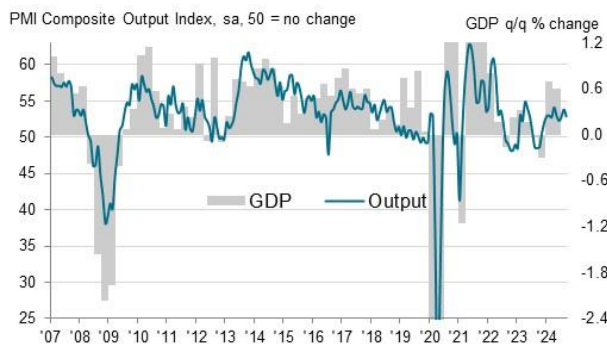
Flash UK Services PMI Business Activity Index<sup>(2)</sup> at 52.8 (Aug: 53.7). 2-month low.

Flash UK Manufacturing Output Index<sup>(3)</sup> at 53.5 (Aug: 54.4). 3-month low.

Flash UK Manufacturing PMI<sup>(4)</sup> at 51.5 (Aug: 52.5). 3-month low.

Data were collected 12-19 September

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



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

UK private sector firms indicated a sustained upturn in business activity during September, marking 11 months of continuous expansion. However, output growth slowdowns in both manufacturing and services meant that the overall speed of recovery moderated for the first time since June.

Prices charged inflation across the private sector economy eased to a 42-month low in September. A weaker rise in prices charged by service providers more than offset an acceleration in factory gate price inflation. However, there were still signs of elevated cost pressures in September. The overall rate of input price inflation picked up since August, driven by higher wages and shipping costs.

The headline seasonally adjusted **S&P Global Flash UK PMI Composite Output Index** registered 52.9 in September, down from 53.8 in August but still comfortably

above the 50.0 no-change value. Higher levels of business activity have been recorded in each month since November 2023 and the latest rate of expansion was broadly in line with the average over this period.

Manufacturing production increased at a slightly faster pace than services activity, though both sectors saw a slower upturn than in the previous month. Where higher levels of output were reported, survey respondents mostly commented on rising customer demand and improving domestic economic conditions. Meanwhile, fragile client confidence and ongoing inventory cutbacks were cited as headwinds to growth in September.

September data pointed to another month of robust **new business** gains, led by strengthening order books across the service economy. Survey respondents in the typically noted improving sales pipelines, alongside successful marketing and promotional initiatives. The technology services sub-sector was particularly upbeat about demand conditions. However, in both the manufacturing and service sectors there were some reports of clients adopting a wait-and-see approach to decision-making ahead of the Autumn Budget. **New export orders** meanwhile remained relatively subdued, with total overseas sales rising only marginally in September. Some service providers noted higher demand from US clients, but manufacturers frequently suggested that weak EU sales had weighed on export orders.

Private sector **employment** growth slowed for the second month running to its weakest since June. Service providers signalled only a marginal increase in staffing numbers, while manufacturers indicated renewed job cuts. Anecdotal evidence suggested that tight budgets, ongoing business uncertainty and rising wages had all been a factor weighing on recruitment in September. Moreover, there was little sign of pressure on business capacity as **backlogs of work** decreased for the seventeenth successive month.

A combination of subdued demand and reduced backlogs encouraged leaner inventory strategies across the manufacturing sector in September. The latest survey indicates further declines in **stocks of finished goods** and **pre-production inventories**, alongside another fall in purchasing activity. Despite weaker demand for manufacturing inputs, **suppliers' delivery times** lengthened again and to the greatest extent since April.

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Goods producers widely commented on ocean freight delays due to the Red Sea crisis, especially for items sourced from mainland China.

Higher container shipping costs contributed to upward pressure on raw material prices across the private sector economy in September. Survey respondents also widely noted rising salary payments to boost staff retention and reflect increased living costs. Measure overall, **average cost burdens** increased at a robust pace in September and the rate of inflation picked up from August's 45-month low. In the manufacturing sector, purchase price inflation was the highest since January 2023.

In contrast to the upward trend for input cost inflation, latest data indicated the slowest rise in average **prices charged** by private sector firms since February 2021. This largely reflected a moderation in output charge inflation across the service economy. Many survey respondents suggested that intense competitive pressures had acted as a brake on pricing power during the latest survey period.

Finally, **business activity expectations** for the year ahead remained upbeat in September and the degree of confidence edged since the prior survey period. Optimism was mainly attributed to improvements in broader economic conditions, the impact of softer inflationary pressures on customer demand, and long-term investment plans. Many firms highlighted particularly strong forecasts for customer spending on technology goods and services. Some manufacturers noted worries about the global demand outlook, especially in EU markets. However, by far the most cited concern among UK private sector firms was fiscal policy uncertainty ahead of the Autumn Budget on 30<sup>th</sup> October 2024.

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

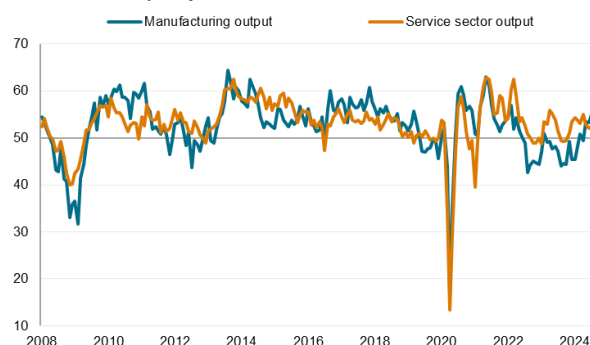
*"The September PMI data bring encouraging news, with robust economic growth being accompanied by a cooling of inflationary pressures. The data therefore hint at a 'soft landing' for the UK economy, whereby the fight against inflation is showing increasing signs of being won without higher interest rates having caused a downturn.*

*"A slight cooling of output growth across manufacturing and services in September should not be seen as too concerning, as the survey data are still consistent with the economy growing at a rate approaching 0.3% in the third quarter, which is in line with the Bank of England's forecast.*

*"Business optimism has also risen, albeit with concerns about the impact of the Autumn Statement jangling nerves somewhat, notably in the manufacturing sector. Investment plans in particular are reported to have been put on ice pending clarity on the new government's policies, especially towards taxation. Hiring likewise has been stifled by business uncertainty about the near-term economic outlook ahead of the 'budget'.*

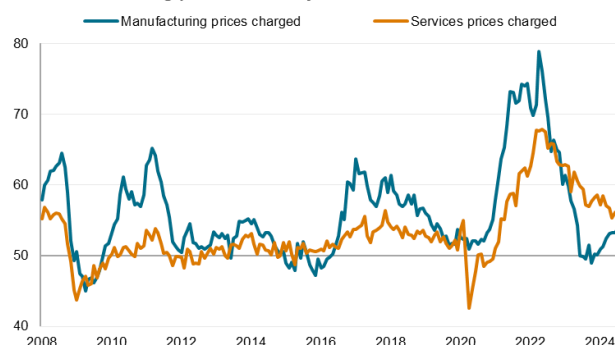
*"In the meantime, services inflation, stubbornly elevated rates of which have been the bugbear of the Bank of England, cooled in September to the lowest since February 2021 to help bring the Bank of England's 2% inflation target closer into view. The survey data therefore support the view that there is scope for interest rates to fall further in the closing months of 2024."*

UK flash PMI output by sector



Data compiled September 23, 2024.  
PMI (Purchasing Managers' Index) 50 = no change on prior month.  
Source: S&P Global PMI.  
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UK flash PMI selling price inflation by sector



Data compiled September 23, 2024.  
PMI (Purchasing Managers' Index) 50 = no change on prior month.  
Source: S&P Global PMI.  
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## Note to Editors

Final September data are published on 1 October for manufacturing and 3 October 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.

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## 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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