

MARKET SENSITIVE INFORMATION

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S&P Global Flash United Kingdom PMI®

New business growth across UK private sector jumps to 15-month high

Key findings:

Flash UK PMI Composite Output Index⁽¹⁾ at 52.7 (Jun: 52.3). 2-month high.

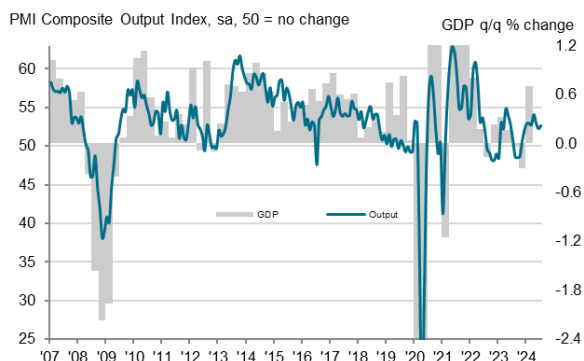
Flash UK Services PMI Business Activity Index⁽²⁾ at 52.4 (Jun: 52.1). 2-month high.

Flash UK Manufacturing Output Index⁽³⁾ at 54.4 (Jun: 53.3). 29-month high.

Flash UK Manufacturing PMI⁽⁴⁾ at 51.8 (Jun: 50.9). 24-month high.

Data were collected 11-22 July

S&P Global Flash UK PMI Composite Output Index



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

Private sector activity in the UK expanded at a solid and faster rate in July, according to 'flash' PMI data, supported by the sharpest upturn in new business for 15 months and a strengthening of business confidence after a dip in June. Services activity growth accelerated slightly, while manufacturing output rose to the strongest degree since February 2022. The upturn encouraged firms to increase their staffing numbers at the quickest pace for 13 months, while future activity expectations came close to matching February's two-year peak.

Average prices charged at private sector companies rose at the slowest rate in almost three-and-a-half years during July, though the pace remained steep due to elevated costs. While input cost inflation at services firms eased further amid softening wage pressures, manufacturing firms faced the strongest rise in costs in one-and-a-half years as global freight challenges linked to the Red Sea crisis drove transport bills higher.

The headline seasonally adjusted **S&P Global Flash UK PMI Composite Output Index** rose from 52.3 in June to 52.7 in July, signalling a solid upturn in private sector activity. Expansions have now been recorded in each of the past nine months, with the index having averaged 53.0 in 2024 so far.

Once again, the **manufacturing** sector posted the sharper increase in activity, as production levels rose for the third month running following a lengthy downturn. Companies mainly increased output due to stronger order book volumes, whilst also maintaining efforts to reduce outstanding workloads.

Activity growth among **services firms** quickened slightly in July, supported by a much faster increase in new work compared to June. That said, the pace of activity expansion was still among the softest recorded in 2024 to date.

Sales growth across both manufacturing and services accelerated in July, leading to the strongest increase in **total new business** since April 2023. Companies often commented on an improvement in market confidence and the securing of new contracts, following some reports of a pause in client spending decisions prior to the general election. Demand from overseas also improved, with firms indicating the fastest uplift in **new export orders** for 16 months. This was centred on the services sector, though the drop in manufacturing exports was the joint-weakest in two-and-a-half years.

The latest survey data also pointed to a strengthening of **employment growth** at the start of the third quarter, as staffing numbers rose at a solid rate that was the fastest observed in just over a year. Recruitment at services firms was often linked to a greater uplift in demand, outweighing some mentions of redundancies and budget cuts. Notably, job numbers at manufacturing firms were stable in July, ending a 21-month sequence of decline.

Although employment steadied and customer orders rose, **input purchases** at goods producers decreased in July. Anecdotal evidence indicated that purchases were partly curbed due to rising transport costs, which were in turn attributed to the Red Sea crisis and subsequent global shipping bottlenecks. Manufacturers also saw delivery times lengthen for the seventh month running and to the sharpest degree since March. Furthermore, there were

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some reports of firms deliberately running down stocks to protect cash flow.

A rise in transport prices contributed to a marked increase in total input costs at manufacturers in July, with the uplift being the sharpest recorded in one-and-a-half years. However, with services cost inflation easing fractionally to a 41-month low, **input cost inflation** in the UK private sector was among the softest observed since the beginning of 2021. Wages, IT equipment and paper were also commonly noted by panellists as drivers of higher expenses.

Prices charged inflation slowed to its weakest since February 2021 in July, driven by a softer increase in output charges at services companies. That said, the rate of inflation was still above its long-run trend, as firms continued to pass on higher expenses to their customers. Output prices set by manufacturing firms rose solidly, with the pace of increase ticking up to the fastest since May 2023.

After slipping to a six-month low in June, **business confidence** across the UK rebounded in July, and was only slightly below the two-year high seen in February. Manufacturing and services firms were alike in showing greater optimism towards future business activity, amid expectations of improving demand conditions, stronger business investment, interest rate cuts and political stability.

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

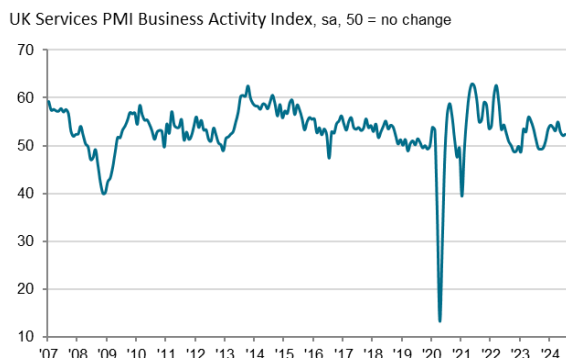
“The flash PMI survey data for July signal an encouraging start to the second half of the year, with output, order books and employment all growing at faster rates amid rebounding business confidence, while price pressures moderated.”

“The first post-election business survey paints a welcoming picture for the new government, with companies operating across manufacturing and services having gained optimism about the future, reporting a renewed surge in demand and taking on staff in greater numbers. Prices have meanwhile risen at their lowest rate for three and a half years, further raising the prospect of a summer rate cut.”

“However, policymakers will likely take a cautious approach to loosening policy amid signs of inflationary pressures pivoting away from services towards manufacturing, where Red Sea shipping delays and higher freight prices are adding to costs again. The renewed hiring trend could also add to pay pressures, sustaining some stickiness of inflation in the coming months.”

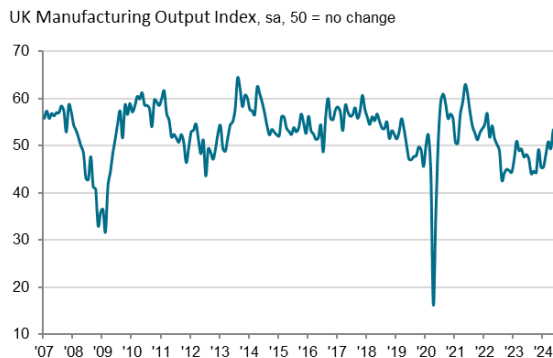
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S&P Global Flash UK Services PMI Business Activity Index



Source: S&P Global PMI.

S&P Global Flash UK Manufacturing Output Index



Source: S&P Global PMI.

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Note to Editors

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.

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)

PMI®

by **S&P Global**

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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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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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