News Release

MARKET SENSITIVE INFORMATION
Embargoed until 0930 BST (0830 UTC) 21 April 2023

S&P Global / CIPS Flash United Kingdom PMI®

Service sector growth underpins fastest rise in UK private sector output for one year in April

Key findings:

Flash UK PMI Composite Output Index[(1)] at 53.9 (Mar: 52.2). 12-month high.

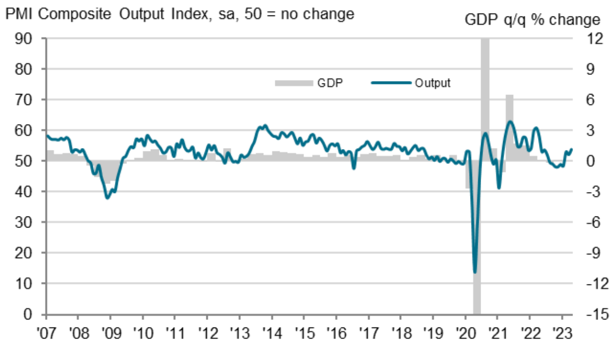
Flash UK Services PMI Business Activity Index[(2)] at 54.9 (Mar: 52.9). 12-month high.

Flash UK Manufacturing Output Index[(3)] at 48.5 (Mar: 49.0). 3-month low.

Flash UK Manufacturing PMI[(4)] at 46.6 (Mar: 47.9). 4-month low.

Data were collected 12-19 April

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



Sources: S&P Global, CIPS, ONS.

UK private sector firms signalled an increase in business activity for the third consecutive month during April and the rate of expansion accelerated to its fastest for one year. A further robust rise in new order intakes added to signs of an improving economic landscape. However, there were divergent trends by sector as strong growth in the service economy contrasted with another fall in manufacturing production. Goods producers noted that customer destocking and efforts to cut costs had added to downward pressure on demand, whereas service providers typically commented on resilient consumer spending.

April data pointed to the slowest increase in input costs at private sector companies for just over two years, due to lower fuel and energy prices as well as improving supply conditions. Survey respondents nonetheless widely noted another month of strong wage inflation. This led to a steep increase in output charges during April, especially in the service economy.

At 53.9 in April, the headline seasonally adjusted **S&P Global / CIPS Flash UK Composite Output Index** was up from 52.2 in March and above the crucial 50.0 no-change threshold for the third month running. Moreover, the latest index reading signalled the strongest rate of output growth since April 2022. Rising volumes of private sector business activity contrasted with a modest downturn throughout most of the second half of last year.

The latest survey indicated a robust and accelerated increase in **service sector output** (index at 54.9), with growth the highest for one year. In contrast, **manufacturing production** (index at 48.5) decreased for the second month running and at the fastest pace since January.

The contrasting trends for business performance in April largely reflected divergent demand patterns. **New order growth** hit a 13-month high in the service economy amid rising spending on travel, leisure and entertainment. Meanwhile, manufacturers attributed a renewed fall in new work to customer destocking, elevated energy costs and subdued demand for big ticket consumer goods. Similarly, **export sales** increased at a solid pace across the service sector, but manufacturers experienced a decline for the fifteenth consecutive month.

Manufacturing supply chains continued to improve during April, with the respective index little-changed from the survey-record upturn seen in March. Suppliers' delivery times have now shortened for three months running, with goods producers often citing improved raw material availability and lower demand. However, survey respondents noted ongoing difficulties with sourcing electrical items amid supply constraints across Asia.

Fewer concerns about vendor performance, combined with subdued order books, meant that UK manufacturers unwound their safety stocks where possible in April. This was signalled by the fastest fall in **pre-production inventories** since May 2020. Adding to signs of a turn in the inventory cycle, **stocks of finished goods** were depleted at the sharpest pace for 13 months.

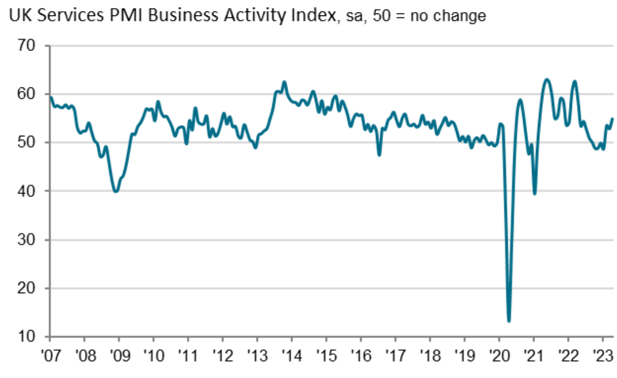
Improving supply conditions, lower transport bills and easing commodity prices all contributed to a slowdown in

input cost inflation across the private sector economy in April. The latest rise in overall business expenses was the weakest since March 2021, helped by much softer purchasing price inflation in the manufacturing sector. Higher staff wages were by far the most commonly cited reason for rising input costs during the latest survey period, alongside the continued pass through of elevated energy bills by suppliers.

Private sector firms once again sought to defend margins from rapidly increasing staff costs, especially those in the service economy. April data pointed to a slight acceleration in **prices charged inflation** since March, although the latest rise was still softer than the record high seen in April 2022.

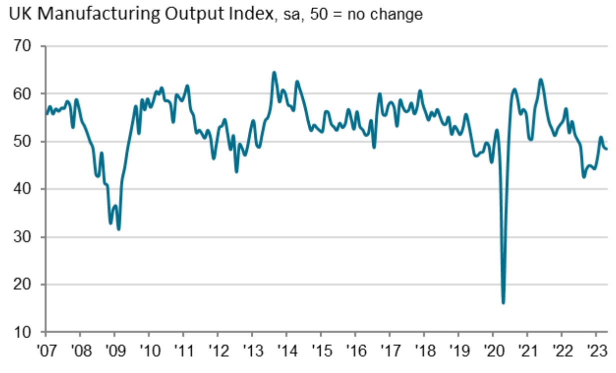
Intense pressure on costs, alongside shortages of candidates to fill vacancies, acted as a headwind to **employment growth** in April. The rate of job creation nonetheless picked up to a six-month high, driven by additional hiring confined to the service sector. Positivity regarding the near-term business outlook helped to support workforce numbers during the latest survey period. Measured overall, the degree of confidence towards output growth in the year ahead eased slightly since March but was the second-highest since March 2022.

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



Sources: S&P Global, CIPS.

S&P Global / CIPS Flash UK Manufacturing Output Index



Sources: S&P Global, CIPS.

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

"Flash PMI surveys signalled an acceleration of economic growth to the fastest for a year in April, building on a modest return to growth in the first quarter of the year.

"Growth is lopsided, however, with surging demand for services contrasting with an ongoing downturn in demand for goods. Even within the service sector, growth is dependent on consumers switching spending from goods to services and a revival of financial services activity, both of which are areas susceptible to the impact of higher interest rates and the ongoing cost of living squeeze. Business services and manufacturing are clearly struggling.

"However, for now the key takeaway is that the economy as a whole is not only showing encouraging resilience but has gained growth momentum heading into the second quarter, the latest PMI reading broadly indicative of GDP rising at a robust quarterly rate of 0.4%.

"Inflationary pressures have meanwhile continued to cool in manufacturing, but price pressures have picked up in services following the resurgence of demand.

"This combination of faster growth and elevated price pressures put a twelfth rate hike by the Bank of England an increasingly done deal when it next meets on 11th May, and will add to speculation that further hikes may be needed."

Dr John Glen, CIPS Chief Economist said:

"The fastest rebound in private sector output in a year showed businesses were enjoying the pockets of recovery emerging in the UK economy and activity levels leapt up as a result of new orders and improved supply chain performance. However, the difference between the manufacturing and service sectors was stark.

"Services saw the fastest new order growth for 13 months as consumer confidence grew and spending on a few more luxuries increased. Whereas the manufacturing sector received another body blow and became more entrenched in contraction with a fall in new orders and another round of job shedding. Stronger supply chain deliveries boosting operations was not even enough to improve manufacturers' fortunes as consumers chose holidays over white goods.

"With another interest rate rise predicted for next month to cool inflation this may provide some respite in the months to come. However, the higher salary payments demanded by skilled workers will remain part of the business landscape and rising borrowing costs may not take the heat out of the economy just yet."

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Note to Editors

Final April data are published on 2 May for manufacturing and 4 May for services and composite indicators.

The S&P Global / CIPS 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 = 0.1 (absolute difference 0.6)

Services Business Activity Index = 0.2 (absolute difference 0.7)

Manufacturing PMI = 0.0 (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@ihsmarkit.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 CIPS

The Chartered Institute of Procurement & Supply (CIPS) is the world's largest procurement and supply professional organisation. It is the worldwide centre of excellence on purchasing and supply management issues. CIPS has a global community of 200,000 in over 150 countries, including senior business people, high-ranking civil servants and leading academics. The activities of procurement and supply chain professionals have a major impact on the profitability and efficiency of all types of organisation and CIPS offers corporate solutions packages to improve business profitability. www.cips.org

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. To learn more go to https://ihsmarkit.com/products/pmi.html .

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