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# IHS Markit / CIPS Flash UK Composite PMI®

Including IHS Markit / CIPS Flash UK Manufacturing and Services PMI®

## Flash PMI signals record slump in business activity amid emergency public health measures to halt spread of coronavirus

### Key data

Flash UK Composite Output Index  
Mar: 37.1, survey-record low (Feb final: 53.0)

Flash UK Services Business Activity Index  
Mar: 35.7, survey-record low (Feb final: 53.2)

Flash UK Manufacturing Output Index  
Mar: 44.3, 92-month low (Feb final: 52.2)

Flash UK Manufacturing PMI  
Mar: 48.0, 3-month low (Feb final: 51.7)

March data highlight that the COVID-19 outbreak has already dealt the UK economy a more severe blow than at any time since comparable figures were first available over 20 years ago. The latest IHS Markit/ CIPS Flash UK Composite PMI® was compiled between 12-20 March 2020.

The combined monthly decline in output across manufacturing and services exceeded that seen even at the height of the global financial crisis, with the IHS Markit/CIPS Flash Composite PMI falling almost 16 points since February 2020.

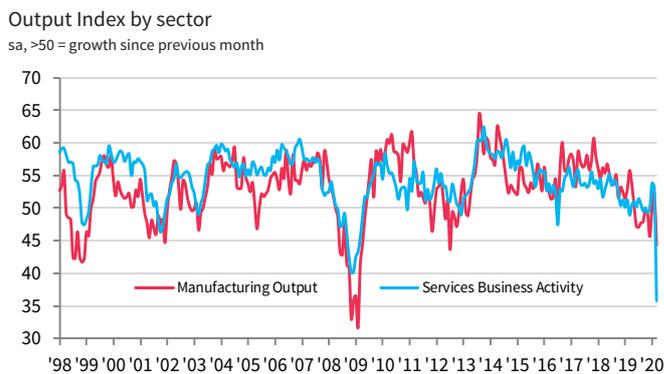
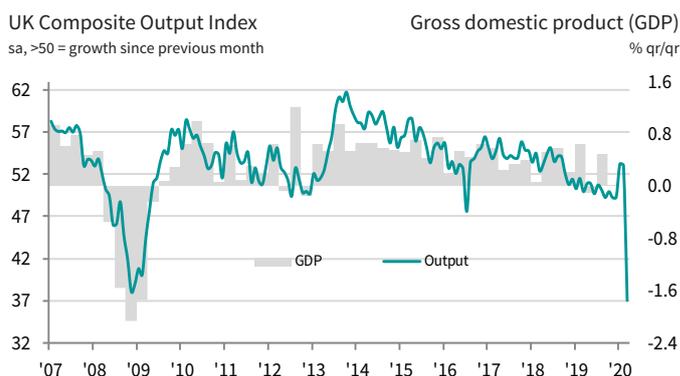
At 37.1 in March, down from 53.0 in February, the seasonally adjusted IHS Markit / CIPS Flash UK Composite Output Index – which is based on approximately 85% of usual monthly replies – signalled the fastest downturn in private sector business activity since the series began in January 1998. The prior low of 38.1 was seen in November 2008.

A rapid decline in business activity across the service economy led the overall downturn in March (index at 35.7) as emergency public health measures to halt the spread of coronavirus caused demand to slump. Moreover, the latest PMI figures were compiled in advance of the UK government's decision to order pubs, restaurants and other leisure businesses to close by midnight on 20th March.

Manufacturing production also dropped sharply during the latest survey period (index at 44.3), with the rate of decline the steepest since July 2012.

Other indicators pointed to similar signs of distress. New

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orders across the private sector as a whole fell at the sharpest rate seen since December 2008. Business expectations for the year ahead meanwhile slumped to the lowest seen since data for this series was available in 2012 by a wide margin.

March data signalled a rapid change of direction for employment across the UK private sector amid escalating measures to fight the spread of coronavirus, highlighting the challenges faced by policymakers to help businesses and households through the current public health emergency. The flash PMI signalled a fall in employment across the manufacturing and services to an extent not seen since July 2009.

### IHS Markit / CIPS Flash UK Manufacturing PMI®

The seasonally adjusted IHS Markit/CIPS Flash UK Manufacturing Purchasing Managers' Index® (PMI®) – a composite single-figure indicator of manufacturing performance – posted 48.0 in March, down from 51.7 in February.

The Manufacturing PMI is a weighted average of five indices, with the production (index at 44.3), new orders (44.9) and employment components (44.2) all exerting negative influences in March. At the same time, the fall in the Manufacturing PMI since February was softened by a slower decline in stocks of purchases and a survey-record lengthening of suppliers' delivery times.

Longer suppliers' delivery times are typically seen as an advance indicator of rising demand for raw materials and therefore have a positive influence on the Manufacturing PMI index. However, the rapid downturn in supplier performance during the latest survey period was instead linked to a supply shock as factory shutdowns across the world in response to the COVID-19 outbreak led to shortages of manufacturing inputs and shipping delays.

Measured overall, manufacturing output dropped at the sharpest pace since July 2012. Only producers in the food & drink and chemicals & plastics sectors reported growth of output in March. The former reflected higher demand due to stockpiling by households, while the latter was driven by a surge in production within the pharmaceuticals sector. At the other end of the scale, the transport goods sector registered the largest slump in output during March.

### IHS Markit / CIPS Flash UK Services PMI®

At 35.7 in March, down from 53.2 in February, the seasonally adjusted IHS Markit/CIPS Flash UK Services PMI® Business Activity Index slumped to its lowest level since the series began in July 1996. This exceeded the previous record low of 40.1 in November 2008.

With measures to halt the spread of the coronavirus causing footfall to slump, by far the steepest downturns in activity were signalled by hotels & restaurants and other leisure activities such as sports centres, gyms and hair salons. These customer-facing categories collectively recorded the steepest fall in activity seen since the survey commenced in 1996.

The initial impact of emergency public health measures was also reflected in record downturns in activity across transport & travel and the vast business-to-business services category.

## Comment

Chris Williamson, Chief Business Economist at IHS Markit, said:

*"The surveys highlight how the COVID-19 outbreak has already dealt the UK economy an initial blow even greater than that seen at the height of the global financial crisis. With additional measures to contain the spread of the virus set to further paralyse large parts of the economy in coming months, such as business closures and potential lockdowns, a recession of a scale we have not seen in modern history is looking increasingly likely.*

*"Historical comparisons indicate that the March survey reading is consistent with GDP falling at a quarterly rate of 1.5-2.0%, a decline which is sufficiently large to push the economy into a contraction in the first quarter. However, this decline will likely be the tip of the iceberg and dwarfed by what we will see in the second quarter as further virus containment measures take their toll and the downturn escalates.*

*"Any growth was confined to small pockets of the economy such as food manufacturing, pharmaceuticals and healthcare. Demand elsewhere has collapsed, both for goods and services, as increasing numbers of households and businesses at home and abroad close their doors."*

Duncan Brock, Group Director at CIPS, said:

*"Just as the economy began to strengthen at the beginning of the year, the shock of this deepening global health crisis has flung businesses into the abyss, with the worst overall downturn in manufacturing and services for more than two decades.*

*"The services sector received the largest blow as citizens reduced their social activity and leisure activities were abandoned. The sector recorded its worst drop in activity since 1996 when the survey began. New orders also took a significant hit as the rapid realisation of the significance of COVID-19 applied an abrupt brake on consumer-facing businesses.*

*"Shortages of manufacturing components following global factory closures dislocated manufacturing supply chains and led to the greatest lengthening of delivery times since the index began in 1992. A surge in demand for food and pharmaceutical products led to rising output in some parts of the manufacturing sector, but this was more than offset by a slump in production elsewhere.*

*"As more serious measures are considered by the UK Government, the effect of coronavirus on businesses will get much worse. Even with interest rates cuts and an injection of cash into the economy to support struggling businesses, the inevitable rise in unemployment is sure to follow along with business failures especially amongst SMEs.*

*"As more initiatives are rightly introduced to protect the health of the nation, this emergency will have a long-lasting impact on business life as we know it."*

UK Manufacturing Suppliers' Delivery Times Index

sa, below 50 = longer delivery times since previous month



Sources: IHS Markit, CIPS.

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Survey methodology

The IHS Markit / CIPS Flash UK Composite PMI® is compiled by IHS Markit 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 by IHS Markit 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 = 0.0 (absolute difference 0.4)

Services Business Activity Index = 0.0 (absolute difference (0.3)

Manufacturing PMI = 0.0 (absolute difference 0.3)

Underlying final survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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Survey dates and history

March flash data were collected 12-20 March 2020. The response rate for March was not affected by shutdowns in place due to the Covid-19 outbreak.

Final manufacturing data are published on 1 April, and final services and composite data on 3 April.

Data collection began in January 1992 for manufacturing, and in July 1996 for services.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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[www.cips.org](http://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.