

MARKET SENSITIVE INFORMATION

Embargoed until 0930 BST (0830 UTC) 22 April 2022

S&P Global / CIPS Flash United Kingdom PMI®

Slowest rise in UK private sector output for three months in April as record inflationary pressures and war in Ukraine hit demand

Key findings:

Flash UK PMI Composite Output Index⁽¹⁾ at 57.6 (Mar: 60.9). 3-month low.

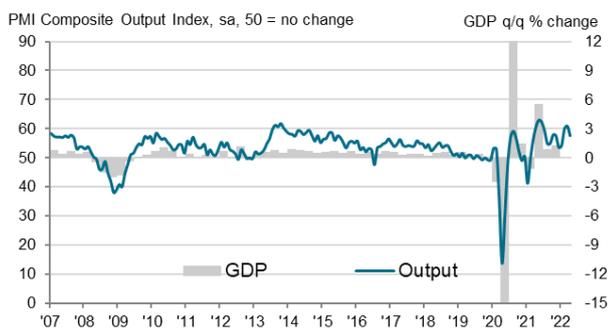
Flash UK Services PMI Business Activity Index⁽²⁾ at 58.3 (Mar: 62.6). 3-month low.

Flash UK Manufacturing Output Index⁽³⁾ at 53.8 (Mar: 51.8). 2-month high.

Flash UK Manufacturing PMI⁽⁴⁾ at 55.3 (Mar: 55.2). 2-month high.

Data were collected 11-20 April

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



Sources: S&P Global, CIPS, Office for National Statistics

April data pointed to a much weaker speed of recovery across the UK economy, largely due to the slowest rise in new orders so far in 2022. Survey respondents mainly noted that the cost of living crisis and economic uncertainty arising from the war in Ukraine had impacted client demand.

Service providers experienced a considerable loss of momentum as the pass-through of escalating costs offset the boost to consumer spending from the ending of COVID-19 restrictions. Manufacturers also faced a headwind to order books from rising output charges, with the latest increase in factory gate prices by far the fastest on record.

At 57.6 in April, down from 60.9 in March, the headline seasonally adjusted **S&P Global / CIPS Flash UK Composite Output Index** was the lowest since January. The latest reading was nonetheless comfortably above the 50.0 no-change threshold, which extended the current period of expansion to 14 months.

The loss of momentum in the **service economy** (down 4.3 index points) was the largest in any month since Omicron hit business activity across the sector at the end of 2021.

In contrast, **manufacturing** output growth gained speed in April after hitting a five-month low during March. Goods producers suggested that efforts to work through backlogs and fewer supplier delays were the main positive influences on production schedules. The latest lengthening of supplier lead times was the smallest since October 2020, despite widespread reports citing bottlenecks related to the war in Ukraine, ongoing ports congestion and lockdowns in China.

New order growth at UK private sector firms decelerated to a greater extent than current business activity, according to the latest survey data. The overall rate of new business expansion eased to its weakest in 2022 to date, with both manufacturers and service providers recording slower recoveries in order books. Survey respondents often cited subdued consumer demand due to squeezed household finances and rising prices for essential items. Similarly, business-to-business spending was hit by higher operating expenses, inflation concerns and geopolitical uncertainty.

April data pointed to a reduction in **export sales** at private sector companies for the second consecutive month. Manufacturers reported the fastest decline in new orders from abroad since June 2020, with falling demand often linked to spending cutbacks from European clients.

Backlogs of work decreased for the first time in 14 months, albeit only marginally. Softer demand and gradual supply chain improvements led to lower volumes of unfinished business in both the manufacturing and service sectors. Survey respondents nonetheless continued to cite staff and raw material shortages as major factors constraining business capacity (as well as absences due to COVID-19).

UK private sector **employment** increased during April, which continued the positive trend seen in each month since March 2021. That said, the rate of job creation slipped to a 12-month low, driven by a slowdown in hiring across the service economy. Survey respondents mostly commented on difficulties finding candidates to replace departing staff, but there were also some reports linking the slowdown in employment growth to cost cutting initiatives.

The rate of **input cost inflation** accelerated for the fourth

News Release

month in a row during April and was the second-fastest since this index began in January 1998.

Input price inflation in the manufacturing sector was the joint-strongest in over 30 years of data collection (equalling last November's record high). Around 84% of all manufacturing firms reported an increase in their cost burdens since March. Meanwhile, some 66% of all service providers signalled an increase in their operating expenses in April. This was linked to sharply rising transport and utility bills, alongside higher salary payments. The rate of cost inflation across the service economy was the second-fastest since this index began more than two decades ago.

Escalating energy, fuel and raw material costs contributed to across the board rises in **average prices charged**. The rate of output charge inflation eased slightly across the private sector as a whole in April. However, the latest rise in factory gate prices was much stronger than in March and the steepest since this index began in November 1999.

Looking ahead, private sector businesses are much less confident about the growth outlook than that seen in March. The overall degree of **business optimism** dropped for the third month running in April and was the lowest since October 2020. Many firms commented on strong order books and hopes of a continued rebound in sales due to the removal of pandemic restrictions. However, worries about the war in Ukraine and impact of the cost of living crisis meant that overall business activity projections weakened in both the manufacturing and service sectors, with the former posting its lowest index reading since May 2020.

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

UK Services PMI Business Activity Index, sa, 50 = no change



S&P Global / CIPS Flash UK Manufacturing Output Index

UK Manufacturing Output Index, sa, 50 = no change



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

"The survey data signal a marked cooling in the pace of UK economic growth during April, caused by an abrupt slowing in demand. Orders received by manufacturers have almost stalled, driven by an increasing loss of exports, and growth of demand for services has slumped to among the weakest since the lockdowns of early 2021.

"High prices and the associated rising cost of living were often cited as a principal cause of lower demand, with covid also continuing to affect many businesses. Brexit and transport delays were seen as having further impeded export sales, while the Ukraine war and Russian sanctions also led to lost overseas trade.

"Concerns over the worsening inflation picture are meanwhile flamed by another near-record leap in firms' costs.

"Although the current pace of growth remains relatively robust, firms are taking a more cautious approach to hiring and spending as demands cools and the outlook becomes gloomier, to suggest that the slowdown in the economy has further to run. While the start of the year saw businesses in high spirits amid the reopening of the economy, this ebullient mood is being eroded by concerns about the rising cost of living, the Russia-Ukraine war, lingering pandemic disruptions and rising interest rates."

Duncan Brock, Group Director at CIPS, said:

"Concerns over the cost of living and the cost of doing business remain uppermost in the minds of private sector business with inflationary rises the second highest since 1998.

"Prices of some commodities hit record highs, with costs for transport, energy and salaries showing no sign of easing as 84% of supply chain managers in manufacturing reported paying more for their purchases. This is an unnerving result for those expecting more consistent recovery in the sector but with the slowest growth in new orders this year, pipelines of work are beginning to look emptier and threaten to affect production in the months ahead. In services, consumers tightened belts and reprioritised spending affected by higher energy prices and national insurance rises impacting on additional spend.

"The dark clouds from the war in Europe, Brexit concerns, a weaker global economy and a continuing shortage of potential candidates to boost capacity in recovering businesses lead to the lowest optimism since October 2020."

-Ends-

News Release

Contact

S&P Global

Tim Moore
Director
Telephone +44-1491-461-067
Email: tim.moore@spglobal.com

Joanna Vickers
Corporate Communications
Telephone +44-207-260-2234
Email joanna.vickers@spglobal.com

CIPS

Trudy Salandiak
Corporate Communications
Telephone +44- 44-1780-761-576
Email: trudy.salandiak@cips.org

Note to Editors

Final April data are published on 3 May for manufacturing and 5 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.

News Release

S&P Global (NYSE: SPGI)

S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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.

S&P Global is a registered trademark of S&P Global Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2022 S&P Global Ltd. All rights reserved. www.spglobal.com

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>.

If you prefer not to receive news releases from S&P Global, please contact joanna.vickers@spglobal.com. To read our privacy policy, [click here](#).

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates.