

Embargoed until 0930 BST (0830 UTC) 23 September 2021

# IHS Markit / CIPS Flash UK Composite PMI®

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

## Output growth slows further, while selling price inflation hits record high

### Key data

Flash UK Composite Output Index  
September: 54.1, 7-month low (August final: 54.8)

Flash UK Services Business Activity Index  
September: 54.6, 7-month low (August final: 55.0)

Flash UK Manufacturing Output Index  
September: 51.8, 7-month low (August final: 54.1)

Flash UK Manufacturing PMI  
September: 56.3, 7-month low (August final: 60.3)

September data were collected 13-21 September 2021.

The latest PMI® data compiled by IHS Markit and CIPS signalled a further loss of growth momentum in the UK private sector at the end of the third quarter. Rates of expansion in both output and new orders were each the weakest in the respective seven-month sequences of growth. The rate of job creation remained elevated, however, driven by strong hiring at service providers. Meanwhile, inflationary pressures showed little sign of abating, with input costs up sharply again and charges raised to the greatest extent on record.

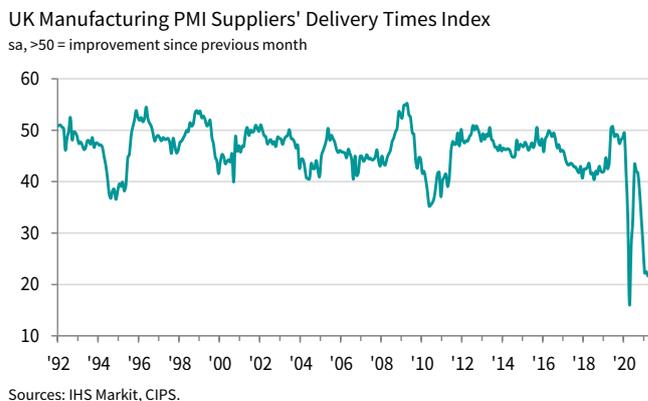
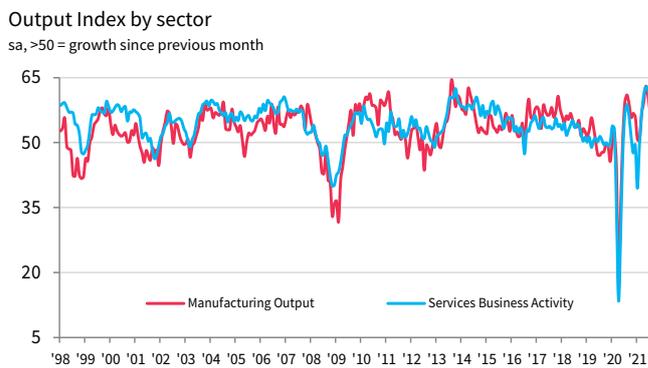
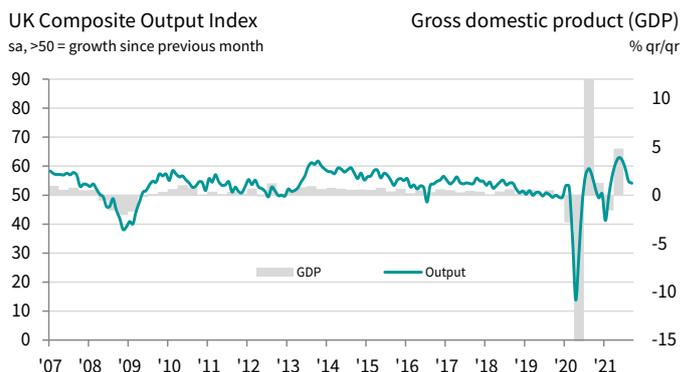
The headline seasonally adjusted IHS Markit / CIPS Flash UK Composite Output Index was at 54.1 in September, below August's reading of 54.8 and down for the fourth month in a row from May's series record. The latest figure also signalled the softest pace of expansion since the private sector returned to growth in March.

Although both monitored sectors saw rates of expansion ease, the slowdown was more pronounced in manufacturing where production rose only modestly amid severe supply-chain disruption and signs of demand softening.

In line with the picture for business activity, new orders increased at a slower pace in September. Meanwhile, firms continued to expand their staffing levels at a rapid pace, particularly in the service sector where the rate of job creation was only slightly weaker than August's series record. Employment growth slowed sharply at manufacturers amid shortages of available staff and moderating demand. Despite ongoing rapid job creation and a slowdown in new order growth, backlogs of work continued to rise across the private sector, extending the current sequence of accumulation to seven months.

The rate of input cost inflation accelerated. Companies attributed

*continued...*



higher input prices to a range of factors, including rising wage costs, the effect of severe supply-chain disruption on raw material prices and increased transportation costs. In response, companies raised their own selling prices at the strongest pace on record. Inflationary pressures were elevated across both monitored sectors, but remained stronger in manufacturing.

Business confidence eased to an eight-month low during September, but nonetheless remained above the series average as companies expressed optimism around the 12-month outlook.

### 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 56.3 in September, down from 60.3 in August and the lowest since February.

The rate of growth in output slowed for the fourth month running and was muted, with material shortages the main factor constraining the pace of expansion. There were also signs of demand softening as the rate of growth in new orders eased to a seven-month low.

September data pointed to a much weaker rise in employment, with the latest increase the slowest since January. Although some firms reportedly took on additional staff to expand capacity, others indicated that they were either facing difficulties finding suitable staff or were looking to reduce workforce numbers in response to signs of softer demand. Meanwhile, backlogs of work continued to rise at a pace that was unprecedented prior to the current period of accumulation.

A further substantial lengthening of suppliers' delivery times was recorded, with supply-chain delays feeding through to a further rapid rise in input costs. Firms raised their own selling prices at the same sharp pace as in August. Efforts to offset the impacts of supply shortages and price rises led manufacturers to expand their purchasing activity and stocks of inputs again.

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

The seasonally adjusted IHS Markit/CIPS Flash UK Services PMI® Business Activity Index posted 54.6 in September, signalling another marked increase in activity at the end of the third quarter. That said, the reading was down from 55.0 in August and the lowest in the current seven-month sequence of expansion.

Where business activity increased, companies reported improving customer confidence and an ongoing recovery from the COVID-19 pandemic. Meanwhile, some respondents indicated that increased numbers of staycations amid restrictions on international travel had boosted domestic service providers. The hotels, restaurants and catering sector posted a particularly strong expansion in activity.

Similarly, total new orders increased at a solid but reduced pace during September, while new business from abroad was up only marginally again. The rate of job creation remained rapid, and was only slightly weaker than the series record posted in August.

The rate of input price inflation accelerated amid reports of higher wage costs, product shortages and increased transportation costs. In turn, companies raised their own charges at the fastest pace since the series began in July 1996.

Companies remained confident that activity will increase over the coming year, but sentiment was the lowest in the year-to-date.

## Comment

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

*"The September PMI data will add to worries that the UK economy is heading towards a bout of 'stagflation', with growth continuing to trend lower while prices surge ever higher.*

*"While there are clear signs that demand is cooling since peaking in the second quarter, the survey also points to business activity being increasingly constrained by shortages of materials and labour, most notably in the manufacturing sector but also in some services firms. A lack of staff and components were especially widely cited as causing falls in output within the food, drink and vehicle manufacturing sectors.*

*"Shortages are meanwhile driving up prices at unprecedented rates as firms pass on higher supplier charges and increases in staff pay. Brexit was often cited as having exacerbated global pandemic-related supply and labour market constraints, as well as often being blamed on lost export sales.*

*"Business expectations for the year ahead are meanwhile down to their lowest since January, with concerns over both supply and demand amid the ongoing pandemic casting a shadow over prospects for the economy as we move into the autumn."*

Duncan Brock, Group Director at CIPS, said:

*"Firms in the manufacturing and services sectors reported a slowdown in demand for their goods from both domestic and export customers as new orders trickled through at their softest levels since the recovery began in March.*

*"There were manifold reasons for the weaknesses appearing in the sector. There were signs that firms had built up stocks to see them through the year so were ordering less but also hampered supply chains prevented goods from getting through to where they needed, acting to slow production down. This affected manufacturing in particular where job creation and confidence also dropped significantly to levels seen at the beginning of the year.*

*"Both sectors felt intense pressure from rising business costs which rose at one of the sharpest rates seen in the survey to date. Services firms followed up by increasing their prices to consumers at an eye-watering rate and at heights not seen since July 1996. This will raise concerns that the government's inflation target will be surpassed by a significant margin as prices show no sign of decelerating in the coming months."*

UK Composite Employment Index

sa, above 50 = growth since previous month



Sources: IHS Markit, CIPS.

Contact

Andrew Harker  
Economics Director  
IHS Markit  
T: +44-1491-461-016  
[andrew.harker@ihsmarkit.com](mailto:andrew.harker@ihsmarkit.com)

Chris Williamson  
Chief Business Economist  
IHS Markit  
T: +44-207-260-2329  
[chris.williamson@ihsmarkit.com](mailto:chris.williamson@ihsmarkit.com)

Joanna Vickers  
Corporate Communications  
IHS Markit  
T: +44 207 260 2234  
[joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

Trudy Salandiak  
Corporate Communications  
CIPS  
T: +44-1780-761-576  
[trudy.salandiak@cips.org](mailto:trudy.salandiak@cips.org)

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 = 0.1 (absolute difference 0.6)

Services Business Activity Index = 0.1 (absolute difference (0.7)

Manufacturing PMI = 0.0 (absolute difference 0.4)

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).

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit 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 IHS Markit 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. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

Survey dates and history

September data were collected 13-21 September 2021.

Final manufacturing data are published on 1 October 2021, and final services and composite data on 5 October 2021. Data collection began in January 1992 for manufacturing, July 1996 for services and January 1998 for the composite index.

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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2021 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email [katherine.smith@ihsmarkit.com](mailto:katherine.smith@ihsmarkit.com). To read our privacy policy, click here.

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](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.