News Release

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IHS Markit / CIPS Flash UK Composite PMI®

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

Fastest manufacturing output growth since April 2019, but supply chain disruptions rapidly emerge

Key data

Flash UK Composite Output Index
Feb: 53.3, Unchanged (Jan final: 53.3)

Flash UK Services Business Activity Index
Feb: 53.3, 2-month low (Jan final: 53.9)

Flash UK Manufacturing Output Index
Feb: 52.8, 10-month high (Jan final: 50.1)

Flash UK Manufacturing PMI
Feb: 51.9, 10-month high (Jan final: 50.0)

Manufacturing production growth accelerated to its strongest for 10 months in February, helping to offset a slight loss of momentum in the service economy, according to February data from the IHS Markit / CIPS Flash UK Composite PMI®.

The seasonally adjusted IHS Markit / CIPS Flash UK Composite Output Index – which is based on approximately 85% of usual monthly replies – was unchanged at 53.3 in February and comfortably above the 50.0 threshold that separates expansion from contraction. Moreover, the latest reading pointed to the joint-fastest expansion of private sector output since September 2018 (equalling that recorded in January).

Survey respondents noted that receding political uncertainty since the general election continued to translate into higher business activity and greater willingness to spend among clients. That said, the overall rate of new order growth eased from the 19-month peak seen in January amid a weaker expansion across the service economy.

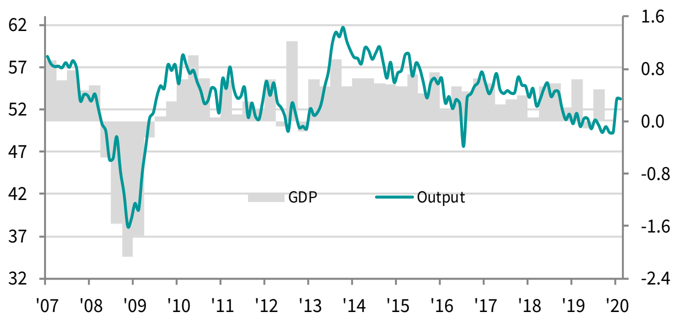
There were a number of reports from service providers that the COVID-19 outbreak had weighed on overseas bookings and resulted in the cancellation of some orders from clients in Asia, particularly those based in mainland China.

Manufactures also commented on a headwind from extended shutdowns in China, with stocks of inputs falling at the fastest pace for over seven years and vendor lead times lengthening to the greatest extent since March 2019. Moreover, the seven-point drop in the suppliers' delivery times index since January

continued...

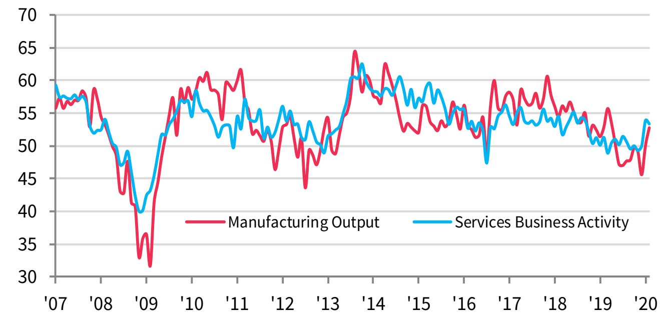
UK Composite Output Index
sa, >50 = growth since previous month

Gross domestic product (GDP)
% qr/qr



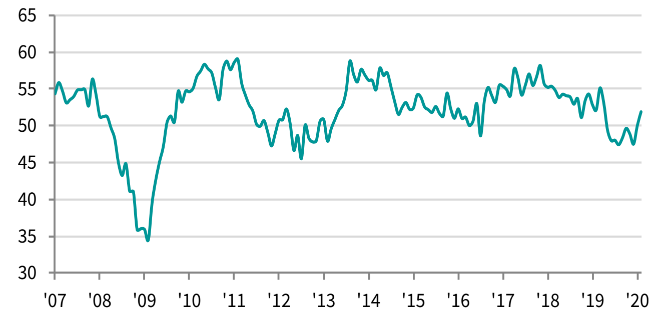
Sources: IHS Markit, CIPS, Office for National Statistics.

Output Index by sector
sa, >50 = growth since previous month



Sources: IHS Markit, CIPS.

UK Manufacturing PMI
sa, >50 = improvement since previous month



Sources: IHS Markit, CIPS.

signalled the largest month-on-month slide in supply chain performance since the survey began in 1992, exceeding the previous record seen during the UK fuel protests in September 2000.

Despite early signs of disruptions to export sales and business operations from the COVID-19 outbreak, latest data indicated that output growth expectations across the UK private sector edged up slightly since January and remained the highest since June 2015. Service providers are more optimistic about the year ahead business outlook than manufacturing companies, but in each case there was little-change since the start of 2020.

Staffing numbers picked up for the third month running across the private sector economy, although the rate of job creation was only marginal in February and the weakest over this period.

Signs of a rebound in client demand and the need to pass on higher operating costs led to a robust and accelerated rise in average prices charged by private sector firms. February data indicated that the overall rate of output charge inflation picked up to its fastest since June 2018. In contrast, the rate of input cost inflation moderated since January and remained weaker than seen on average in 2019.

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 – registered 51.9 in February, up from 50.0 in January, to signal the strongest improvement in overall business conditions since April 2019.

Latest data indicated that production growth also accelerated to the fastest for 10 months in February. The solid expansion of manufacturing output was supported by a sustained rebound in client spending since the start of 2020, with the latest survey pointing to the fastest rise in new work since March 2019.

Manufacturers often noted rising demand from the US and Europe, but there were also reports that extended production stoppages in China following the COVID-19 outbreak had weighed on export sales and the receipt of manufacturing components from suppliers. February data pointed to the sharpest month-on-month drop in the suppliers' delivery times index in nearly three decades of data collection, while pre-production inventories fell to the greatest extent since December 2012.

IHS Markit / CIPS Flash UK Services PMI®

At 53.3 in February, the seasonally adjusted IHS Markit/CIPS Flash UK Services PMI® Business Activity Index dropped from 53.9 in January but remained well above the crucial 50.0 no-change value. Moreover, the latest reading was the second-highest since September 2018.

Anecdotal evidence cited greater willingness-to-spend among clients and a general upturn in sales enquires since the general election. That said, the overall pace of new business growth eased from January's 19-month peak. The slowdown partly reflected weaker demand from abroad, as signalled by a renewed fall in new export orders during February. Companies reporting a fall in overseas sales often cited a marked reduction in new work from clients in Asia.

Comment

Tim Moore, Associate Director at IHS Markit, said:

"UK private sector growth held its ground in February as a stronger contribution from manufacturing output helped to keep overall business activity on a stronger path than any time since September 2018. The latest survey also revealed a solid upturn in the service economy, driven by improving domestic spending and a recovery in new business enquiries since the start of 2020.

"The recent return to growth signalled by the manufacturing and services PMIs provides a clear indication that the UK economy is no longer flat on its back, with our GDP nowcast pointing to 0.2% growth through the first quarter of the year.

"While there are positive signals for UK businesses on the domestic front, the latest PMI findings highlight a number of concerns from an international perspective following the COVID-19 outbreak. Service providers often commented on reduced tourism-related bookings and cancellations from overseas clients in affected markets.

"Manufacturers noted that abrupt shortages of components from China had reverberated through their supply chains and led to difficulties sourcing critical inputs. The downward trajectory of the suppliers' delivery times index since January was the steepest since the survey began, exceeding the previous record set amid the UK fuel protests in September 2000.

"Stocks of inputs dropped at the fastest pace for just over seven years in February as supply chain bottlenecks in Asia amplified the swing in the inventory cycle from Brexit-related destocking. Some manufacturing firms suggested that rising export demand from clients in the US and Europe had added to pressure on the availability of materials, although there were only sporadic reports that component shortages had disrupted production schedules in February."

Duncan Brock, Group Director at CIPS, said:

"As more immediate political instability receded into the background, the combined sectors delivered a healthy return in February with the joint-strongest performance since September 2018. Manufacturing was the sector to experience faster growth as output rose to its highest for almost a year and new orders increased at a pace not seen since March 2019. However, the services sector took a small backward step.

"Supply chains were hampered by the unfolding impact of the Coronavirus, extended Chinese New year holidays and limited production in some key factories resulted in commodity and goods shortages. The month-on-month drop in the suppliers' delivery times index was the largest in the survey history.

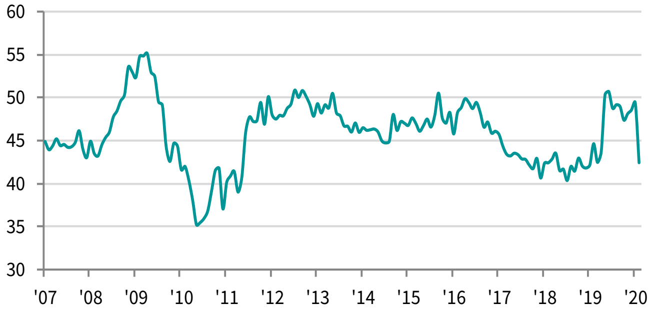
"Levels of new orders were also impacted particularly from the Asia region as Chinese clients cancelled new work as efforts to contain the coronavirus spread. These disruptions are threatening global supply chains as businesses look for new supply routes away from the epicentre of the outbreak whilst under pressure to maintain normal business levels.

"But even against this backdrop of extreme events, optimism remained high, especially amongst service providers. Though there was some relief in business costs as inflationary pressures were muted in February, service providers were still confident enough to raise prices for customers, possibly making up for lost time over Brexit uncertainty and reduced consumer spending.

"With these new challenges unfurling at the beginning of the year, 2020 is unlikely to be a quiet year for the UK economy. The results of trade negotiations are still unknown and now this black swan event to contend with, manufacturers and service providers will be kept on their toes, having to react and forecast outcomes as best they can."

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.

Survey dates and history

February flash data were collected 12-19 February 2020.

Final manufacturing data are published on 2 March, and final services and composite data on 4 March.

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.

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.