

PMI™

by **S&P Global**

United Kingdom

UK flash PMI signals further drop in output during June, but also hints at inflation peak

A disappointing June 'flash' PMI indicates that the economy contracted for a second successive month, albeit at only a 0.1% rate and merely flat-lining over the second quarter as a whole.

Price pressures remain elevated as companies point to the energy shock and supply squeeze from the war in the Middle East as exacerbating existing cost pressures from government policies.

These higher costs, combined with subdued business growth expectations for the year ahead, have caused employment to continue to fall at a worryingly high rate.

While current weakness is focused on consumer-facing services, an offsetting expansion of the manufacturing sector could soon falter, as demand here is being temporarily buoyed by the building of safety stocks amid ongoing war-related supply worries.

Some of the war-related price pressures have started to moderate, however, largely thanks to lower energy prices, and the subdued growth and labour market pictures suggest that demand and wage-bargaining power are sufficiently slack to prevent inflation becoming entrenched.

For the growth and inflation outlooks, much depends on progress towards an end to the conflict in the Middle East, but closer to home we are seeing signs of the unstable political environment unsettling business confidence and delaying spending, which will also need to calm in order to lay better foundations for economic growth to revive.

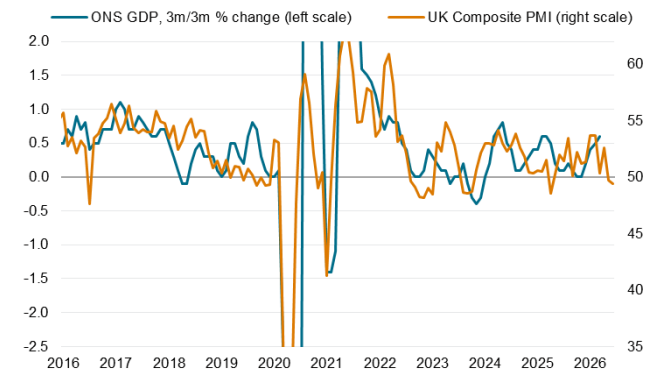
Output posts small fall for second month

Output fell slightly across the UK private sector for a second successive month in June. The headline Composite PMI Output Index edged lower from 49.7 in May to 49.4, according to the preliminary 'flash' reading. Dropping further below the 50.0 no change level, the PMI signalled an increased rate of decline to the fastest since April of last year, when the US tariff announcement caused a brief

downturn, albeit still indicating only a modest pace of economic contraction.

While the flash PMI for June is consistent with the economy contracting at a 0.1% quarterly rate, the average reading over the past three months is equivalent to a flat GDP picture for the second quarter as whole.

UK flash PMI vs. GDP



Data compiled June 23, 2026.

PMI covers manufacturing and services. Chart axes omit pandemic extremes

Sources: S&P Global PMI, ONS.

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Service sector decline deepens

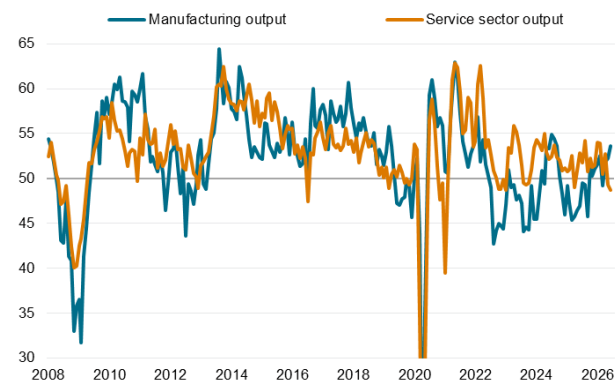
Weakness was again centered on the service sector, where business activity fell for a second month in a row and at a rate not seen since January 2023. The new orders trend was even more worrying, with new business received by service providers posting the largest decline since the COVID-19 lockdowns of January 2021, dropping for a fourth straight month.

Deteriorating demand for services was again widely linked to rising prices, travel disruptions and uncertainty resulting from the war in the Middle East, exacerbated by heightened domestic political uncertainty and existing cost pressures linked to government policies such as increases in National Insurance contributions and the Minimum Wage.

Any growth in the service sector was limited to the tech sector, but a strong downturn for consumer facing

businesses seen in recent months showed signs of easing thanks in part to the football World Cup.

UK flash PMI output



Data compiled June 23, 2026.
PMI (Purchasing Managers' Index) 50 = no change on prior month. Chart axis omits pandemic extremes.
Source: S&P Global PMI.
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Manufacturing resilience to be tested

There was a brighter picture from manufacturing, but the sustainability of the factory upturn remains uncertain. Goods production rose in June at the sharpest rate since September 2024, building on gains in the prior two months. However, while the AI build out and infrastructure projects such as HS2 were reported as boosting output in some cases, the broader manufacturing improvement could again be linked to widespread cases of customers and factories front-loading orders and production respectively ahead of potential price rises and supply issues, in turn linked principally to the war in the Middle East.

June brought some signs of this front-loading of orders starting to fade, with new orders for goods rising at the weakest pace seen so far this year to hint at slower production growth in the coming months if sustained.

Supply shock driving up prices

Manufacturing input costs rose sharply again in June, fueled by higher energy costs and supply shortages, the latter running at the highest since 2022 in recent months as the war continued to disrupt shipping in the Strait of Hormuz and precautionary stock building led to a further imbalance of supply and demand. However, both the rate of price inflation and incidence of supply delays moderated slightly in June, pointing to a potential peaking of the supply shock.

UK flash PMI manufacturing input costs and supplier delays



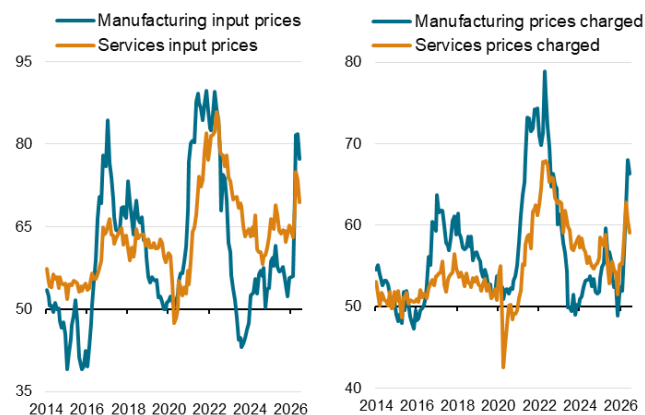
Data compiled June 23, 2026.
PMI (Purchasing Managers' Index) 50 = no change on prior month.
Source: S&P Global PMI.
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Input cost inflation in the service sector also cooled slightly, in part reflecting the fall in energy prices seen towards the end of the survey data collection period.

These slower increases in costs led to weaker rates of selling price inflation across both the manufacturing and services sectors.

However, rates of input cost and selling price inflation remained elevated across both industries, with firms blaming the additional cost pressures resulting from the war in the Middle East as compounding existing upward pressure on employee costs stemming from government policy.

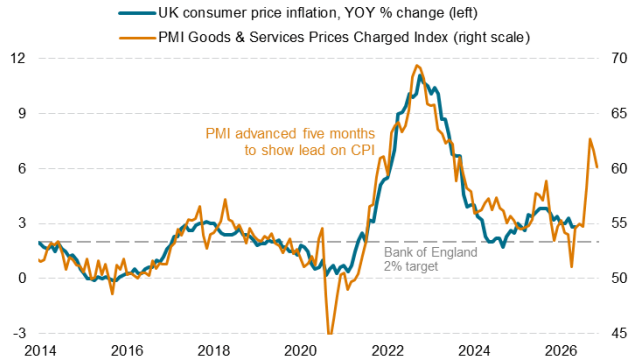
UK PMI sector cost and price trends



Data compiled June 23, 2026.
PMI (Purchasing Managers' Index) 50 = no change on prior month.
Source: S&P Global PMI.
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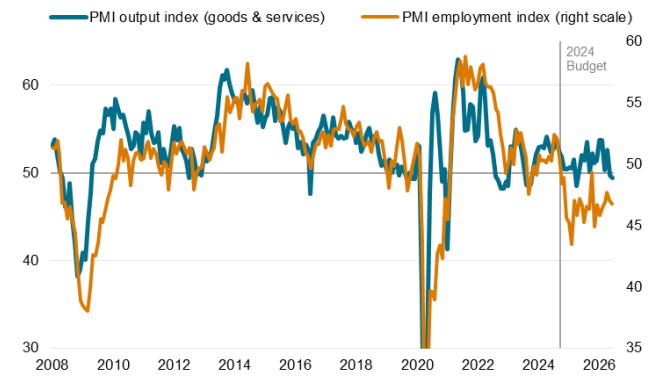
Historical comparisons indicate that the PMI data are indicative of consumer price inflation rising – potentially substantially – from the 2.8% rate seen in May, though with a potential peaking in the rate signalled by the latest survey.

UK consumer price inflation



Data compiled June 23, 2026.
 PMI based on 50 = no change on prior month, covers manufacturing and services.
 Source: S&P Global PMI, ONS via S&P Global Market Intelligence.
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UK PMI: output and employment

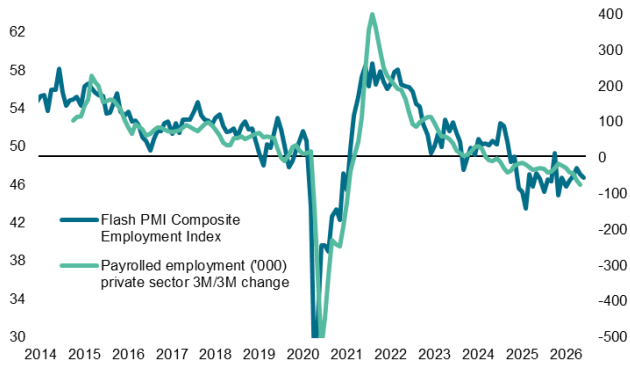


Data compiled June 23, 2026.
 PMI (Purchasing Managers' Index) 50 = no change on prior month.
 Source: S&P Global PMI.
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Employment cut further

High cost pressures – both from the war and prior government policies – were reported as playing a key role in driving employment lower in June, according to survey contributors. Employment has been cut continually among the PMI survey panel since the autumn Budget of 2024, with the rate of job losses picking up pace in June. Job cuts were again most commonly reported in the service sector, led by leisure industries.

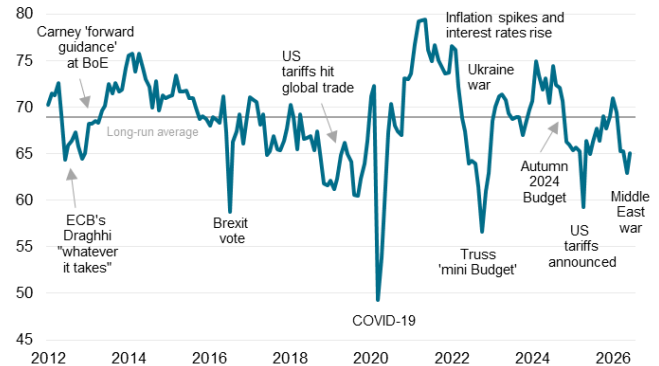
UK employment



Data compiled June 23, 2026.
 PMI based on 50 = no change on prior month, covers goods and services
 Source: S&P Global PMI, ONS and HMRC via S&P Global Market Intelligence.
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However, this period has also seen business growth expectations deteriorate as the additional costs to business from the Budget were soon followed by US tariff announcements and, more recently, the war in the Middle East. While business confidence staged a modest rebound in June, it remains at a level indicative of widespread stress in the UK economy, as domestic political uncertainty adds to existing headwinds.

UK PMI future output expectations



Data compiled June 23, 2026.
 PMI (Purchasing Managers' Index) 50 = no change in 12 months' time, covers goods and services.
 Source: S&P Global PMI.
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Economic stress

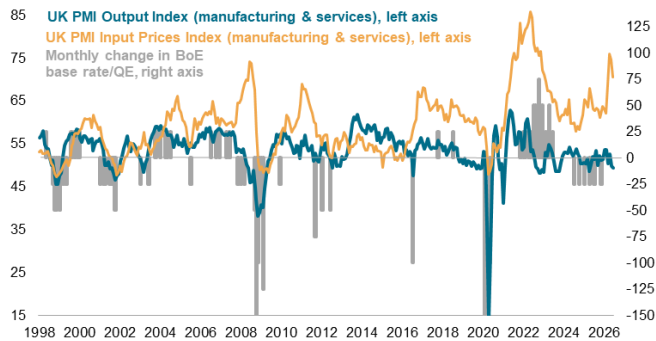
The rate of job cutting is notably higher than would be expected given recent output growth, with a divergence evident after the autumn Budget which included the National Insurance, Minimum Wage and other announcements adding to costs of hiring staff.

Bank of England on hold

The release of flash PMI data come on the heels of the Bank of England's decision to keep its main policy rate on hold in June, with just two of the nine rate setters voting to hike interest rates.

The fall in the PMI's price gauges is therefore welcome news that the recent spike in price pressures could prove short lived. This view is supported by the further drops in both business activity and employment in June, which will lessen the risks of so-called 'second round' inflation effects: demand conditions and the labour market look increasingly unlikely to support pricing power and upward wage negotiations by employees.

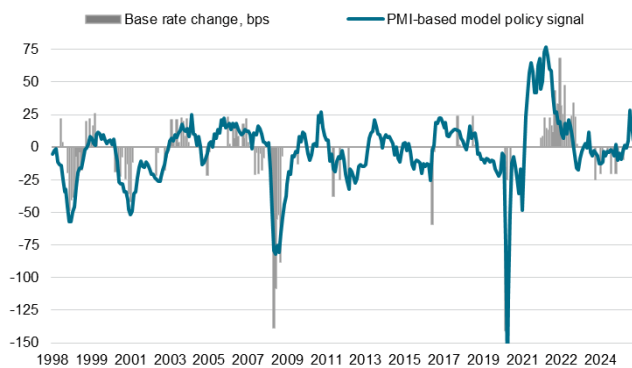
UK monetary policy vs. PMI output growth and input price indices



Data compiled June 23, 2026.
PMI based on 50 = no change on prior month. Bank of England, £25bn QE shown as equivalent to 25 basis points.
Source: S&P Global PMI, S&P Global Market Intelligence, Bank of England.
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A simple policy indicator derived from PMI output, price and employment indices has in fact moved back closer to neutral rate territory in June, having briefly spiked into rate hike territory in April and May, supporting the Bank's decision to hold rates steady.

PMI-based Bank of England policy indicator



As of June 23, 2026.
PMI model based on survey output, input price and employment variables, detrended.
Source: S&P Global PMI, S&P Global Market Intelligence, Bank of England.
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Read the [press release here](#).

CONTACT US

Chris Williamson
Chief Business Economist
S&P Global Market Intelligence
London

T: +44 779 5555 061
chris.williamson@spglobal.com

The Americas

+1-877-863-1306

EMEA

+44-20-7176-1234

Asia-Pacific

+852-2533-3565

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