News Release
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S&P Global UK Services PMI®

Service providers indicate weaker growth momentum in October

Slowest rise in business activity since November 2023

Weaker upturn in new work, but stronger export sales growth

Employment falls for first time in 2024 to date

UK service sector output continued to expand in October, supported by another solid upturn in new work, but the rate of growth eased for the second month running. Moreover, at 52.0 in October, down from 52.4 in September, the headline seasonally adjusted S&P Global UK Services PMI® Business Activity Index pointed to the slowest increase in output levels since November 2023.

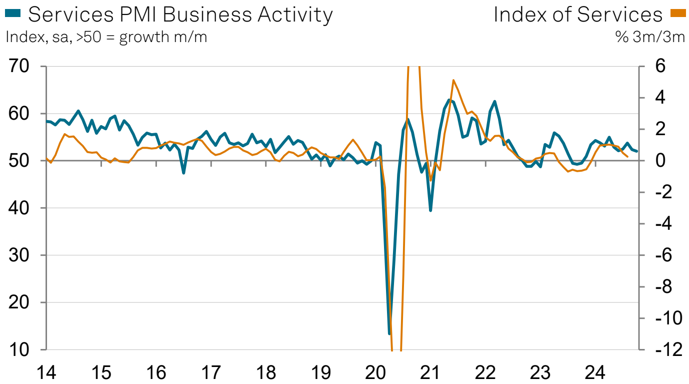
Survey respondents suggested that improving domestic economic conditions had helped to boost overall business activity in October. However, there were reports citing heightened business uncertainty ahead of the Autumn Budget as a factor delaying spending decisions among clients. Some firms also noted that geopolitical tensions had weighed on willingness-to-spend.

Longer sales conversion cycles contributed to a weaker rate of overall new business growth across the service economy in October. The latest increase in total new work was the slowest since June, but still slightly stronger than seen on average in the first half of 2024. Improving order books were linked to resilient business and consumer spending, despite squeezed budgets and fragile confidence.

Export sales bucked the overall slowdown in new business growth. October data indicated a solid rise in new work from abroad and the rate of expansion accelerated to its fastest since March 2023. Service providers often noted stronger demand from EU clients, despite ongoing trade frictions due to Brexit.

Employment remained a relatively weak spot in October. The latest survey data signalled an overall reduction in staffing numbers for the first time since December 2023. The modest fall in workforce levels reflected the non-replacement of voluntary leavers amid budget constraints, efforts to boost productivity, and difficulties finding suitable candidates to fill vacancies.

Higher salary payments meanwhile continued to push up input costs during October. Some firms commented on upward pressure on business expenses due to rising prices paid for technology services, while there were also reports citing lower fuel costs. Overall input cost inflation edged up



Data compiled 10-29 October 2024.

Sources: S&P Global PMI, ONS via S&P Global Market Intelligence. © 2024 S&P Global.

Comment

Tim Moore, Economics Director at S&P Global Market Intelligence, said:

"October data signalled another slowdown in output growth across the service sector as heightened business uncertainty and concerns about the general UK economic outlook had an adverse impact on demand conditions.

"The latest expansion of service sector activity was the weakest since November 2023, while new business growth slipped to a four-month low.

"The wait for clarity on government policy ahead of the Autumn Budget was widely reported to have weighed on business confidence and spending. Broader geopolitical concerns and forthcoming US elections also added to a sense of wait-and-see on business investment decisions in October. At the same time, cost of living pressures remained a constraint on household spending.

"With service providers grappling with softer new order growth and less upbeat business activity expectations for the year ahead, the latest survey pointed to a decline in staffing numbers for the first time since December 2023. A number of firms also noted budget constraints due to elevated salary pressures.

"Higher wages resulted in another month of strong input cost inflation across the service economy. The overall rate of inflation edged up to a three-month high, but remained much weaker than seen on average in the first half of 2024. Output charge inflation meanwhile held close to the 43-month low seen in September, with the latest reading consistent with a longer-term trend of decelerating price pressures across the service sector."

to a three-month high, but remained much softer than seen in the first half of 2024.

Efforts to pass on rising wages contributed to another robust increase in average prices charged by service sector firms. Moreover, the rate of output price inflation picked up slightly from September's 43-month low.

Just over half of the survey panel (52%) predict an increase in their business activity over the year ahead, while only 11% anticipate a reduction. Optimism nonetheless eased since September and was the lowest for four months. While service providers typically commented on positive sentiment regarding their sales pipelines and broader market conditions, many also suggested that political uncertainty ahead of the Autumn Budget had dampened business confidence.

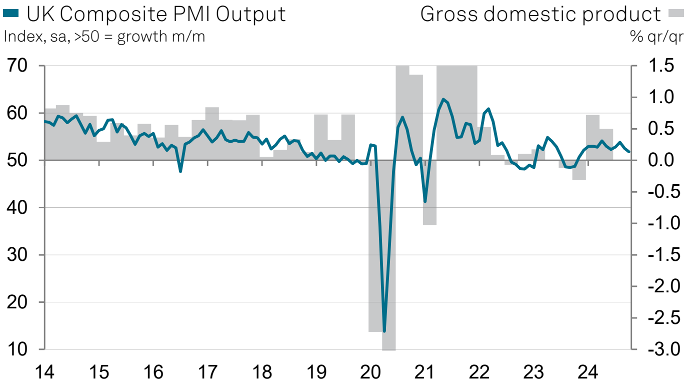
S&P Global UK Composite PMI®

Private sector output growth moderates again in October

The seasonally adjusted S&P Global UK PMI Composite Output Index registered 51.8 in October, down from 52.6 in September and the lowest reading since November 2023. Weaker private sector growth reflected slower rates of expansion in both the manufacturing and service sectors.

October data indicated the least marked rise in total new work for four months, which contributed to a modest decline in employment. The rate of job shedding was nonetheless the fastest since September 2023.

Finally input price inflation eased in October, reflecting much softer cost pressures in the manufacturing sector.



Sources: S&P Global PMI, ONS via S&P Global Market Intelligence. © 2024 S&P Global.

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Methodology

The S&P Global UK Services PMI® is compiled by S&P Global from responses to questionnaires sent to a panel of around 650 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in July 1996.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey 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.

The headline figure is the Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services 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 figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

Flash services data were calculated from 85% of final responses. Since January 2006 the average difference between final and flash Services Business Activity Index values is 0.2 (0.7 in absolute terms).

Underlying 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@spglobal.com.

PMI by S&P Global

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S&P Global

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