

S&P Global UK Services PMI[®]

Business optimism drops to its lowest since December 2022

Marginal overall rise in business activity in November

Staffing numbers decrease for second month running

Weakest output growth projections for nearly two years

November data indicated a sustained loss of momentum across the service economy, with business activity and new orders expanding at weaker rates than in the previous month.

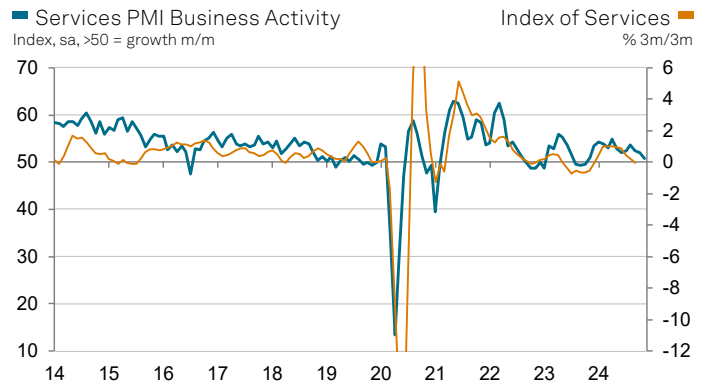
Confidence regarding the outlook for business activity in the next 12 months meanwhile dropped to its lowest since December 2022 and employment dipped for the second month running. Survey respondents widely commented on the negative impact of rising payroll costs on customer demand, staff hiring plans and business confidence.

The headline seasonally adjusted S&P Global UK Services PMI[®] Business Activity Index registered 50.8 in November, down from 52.0 in October and the lowest reading for 13 months. Although indicative of a slight increase in business activity, the rate of growth was the slowest since the current phase of expansion began in November 2023. Many service sector firms noted a growth headwind due to heightened economic uncertainty and concerns about tax raising measures announced in the Autumn Budget.

New business volumes increased for the thirteenth successive month in November, which was partly attributed to resilient consumer spending. The rate of expansion was only modest, however, and the weakest recorded since the pre-election slowdown seen in June. Some firms suggested that new projects and investment plans had been put on hold amid worries about the business outlook. New work from abroad also increased at a weaker pace in November, despite some reports of strengthening demand from US clients.

Staffing levels fell slightly in November, albeit at a slower pace than in the previous month. Survey respondents widely commented on hiring freezes and the non-replacement of voluntary leavers in response to strong wage pressures and forthcoming increases in employers' National Insurance contributions. A lack of pressure on business capacity and ongoing efforts to improve operational efficiency were also factors holding back demand for staff, as signalled by an eighteenth consecutive monthly reduction in backlogs of work.

Business activity expectations for the year ahead remained



Data compiled 12-27 November 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:

"UK service providers indicated that business activity was close to stalling in November, with growth easing to its slowest for over a year. Weaker sales pipelines, cutbacks to new projects and more caution among clients were all cited as having an adverse impact on service sector output.

"Softer new business expansion and forthcoming rises in employers' National Insurance contributions weighed heavily on staff recruitment, according to survey respondents. Total workforce numbers dipped for the second month running, with many firms noting that pressure on margins from higher payroll costs had led to the non-replacement of departing staff.

"Higher salary payments meanwhile contributed to a sharp and accelerated increase in input prices, with the rate of cost inflation the fastest since April.

"There was a considerable reduction in business optimism across the service economy, with output growth expectations falling to the weakest since December 2022. Worries about the impact of policies announced in the Autumn Budget, in particular those pushing up employment costs, were widely reported as leading to a gloomier assessment of business investment prospects and the broader UK economic outlook."

in positive territory, but the degree of confidence dropped sharply since October to the lowest for 23 months. This was overwhelmingly linked to worries about higher payroll costs and subsequent declines in business investment. Some firms also cited the prospect of rising inflation and elevated borrowing costs over the coming 12 months.

Finally, the latest survey data indicated a sharp increase in input prices across the service economy. The rate of cost inflation accelerated to the fastest since April. Efforts to pass on rising salary payments, and other business expenses, including energy bills, insurance costs and technology expenditure, all contributed to a steeper rise in output charges. The overall rate of prices charged inflation edged up to its highest since July.

S&P Global UK Composite PMI®

UK private sector growth eases for third month running

At 50.5 in November, down from 51.8 in October, the seasonally adjusted S&P Global UK PMI Composite Output Index registered above the neutral 50.0 threshold for the thirteenth successive month. However, the rate of business activity expansion was only marginal and the weakest seen over this period. A renewed downturn in manufacturing production, combined with softer service sector growth, contributed to another loss of momentum for overall private sector activity.

November data also indicated a sharp fall in business activity expectations. Optimism was the lowest since December 2022 amid reduced confidence in both manufacturing and services.

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.

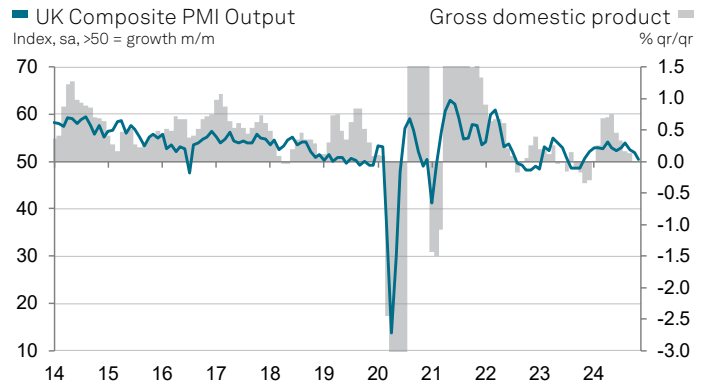
Flash services data were calculated from 81% of final responses. Since January 2006 the average difference between final and flash Services Business Activity Index values is 0.2 (0.7 in absolute terms).

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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