

S&P Global UK Services PMI[®]

Business activity decreases for the first time since April 2025

May 2026

Marginal falls in service sector output and new orders

Sharp increase in input prices

Business activity expectations ease to a 13-month low

Latest survey data indicated a setback for the UK service sector as output levels fell for the first time in just over a year. This mostly reflected a sustained reduction in new work.

Weaker demand was attributed to elevated risk aversion among clients and pressure on budgets from sharply rising inflation.

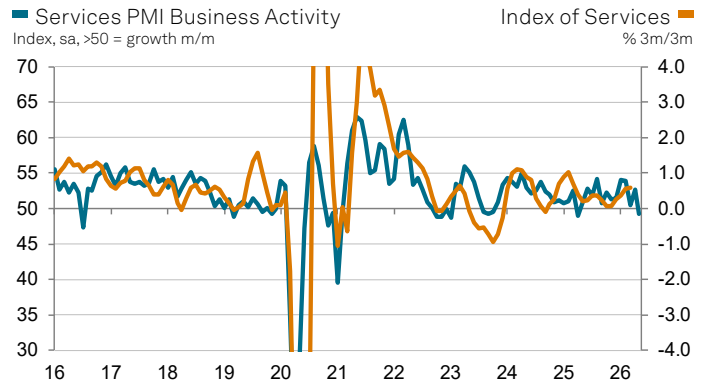
The headline seasonally adjusted S&P Global UK Services PMI Business Activity Index fell from 52.7 in April to 49.3 in May, to register below the 50.0 no-change value for the first time since April 2025. Although much weaker than the long-run survey average (54.2), the latest reading signalled only a marginal decline in service sector output.

Lower volumes of business activity were often linked to subdued consumer spending patterns, particularly in the travel, tourism and leisure sector. There were also reports that elevated economic and political uncertainty had held back business investment and therefore weighed on overall client demand.

Service providers signalled a reduction in new work for the third month running during May, but the rate of contraction was only marginal. Anecdotal evidence suggested that concerns about the impact of the Middle East conflict had led to deferred spending decisions and reduced discretionary spending. Export sales also softened in May. This was linked to a combination of unfavourable global economic conditions and intense competition in major export markets.

A lack of new work to replace completed projects resulted in a sustained decline in unfinished business during May. The rate of backlog depletion was the fastest since November 2025. Moreover, service providers often responded to reduced business requirements by adopting a more cautious approach to staff hiring. Elevated wage inflation was also reported as a key factor leading to lower employment across the service economy. Latest data indicated a solid reduction in payroll numbers, with the pace of job shedding the strongest since February.

Average cost burdens increased at a sharp pace in May, with the rate of inflation easing only slightly from April's 41-month



Data were collected 12-27 May 2026.

Sources: S&P Global PMI, ONS via S&P Global Market Intelligence. © 2026 S&P Global.

Comment

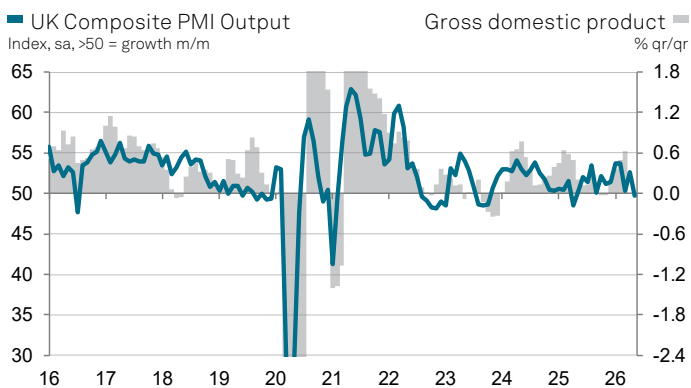
Tim Moore, Economics Director at S&P Global Market Intelligence, said:

"UK service sector companies signalled a reversal of fortunes in May as business activity fell into contraction after showing some resilience earlier this spring. Subdued business and consumer demand, across both domestic and overseas markets, was cited as holding back performance."

"Many service sector companies noted that the Middle East conflict had an adverse impact on sales pipelines and general business prospects. Those in the hospitality and transportation sectors typically commented on squeezed discretionary spending and pressure from sharply rising input costs, while professional services firms reported a setback from rising risk aversion among clients. Business investment spending on technology services remained a bright spot for parts of the service economy, however."

"A rapid acceleration in input cost pressures has been the major challenge for service providers so far this year, driven by higher fuel prices and transportation bills. The overall rate of input price inflation did ease slightly in comparison to April, but it was still higher than at any other time since the energy crisis in 2022."

"Worries about a prolonged spike in inflationary pressures, combined with elevated geopolitical tensions and subdued demand, continued to weigh on business activity expectations in May. The degree of optimism eased for the third time in four months, to its lowest since the US tariffs-related slump in April 2025."



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high. Around half of the survey panel (51%) reported higher input prices in May, while only 2% signalled a reduction. Higher operating expenses were overwhelmingly attributed to rising energy, fuel, and transportation bills, alongside rising wages and technology costs.

A strong rate of output charge inflation continued in May, although the latest reading was lower than April 39-month peak. Service sector firms mostly noted efforts to pass on higher fuel prices and payroll costs.

Meanwhile, business activity expectations for the year ahead were the least upbeat since April 2025. Some firms noted hopes of more favourable market conditions and a turnaround in business investment spending over the next 12 months. However, many survey respondents continued to cite concerns about the impact of the Middle East conflict, especially in terms of rising inflation and squeezed consumer budgets.

S&P Global UK Composite PMI®

May data signalled a renewed decline in private sector business activity. At 49.7 in May, down from 52.6 in April, the seasonally adjusted S&P Global UK PMI Composite Output Index dropped below the neutral 50.0 threshold for the first time in 13 months and pointed to the weakest performance for the private sector economy since April 2025.

Lower levels of service sector output more than offset a faster expansion in manufacturing production during May.

New business intakes and overall employment numbers also decreased across the UK private sector.

Meanwhile, a steep rate of input cost inflation persisted in May. This led to the second-fastest rise in average prices charged by private sector companies since February 2023 (exceeded only by that seen in April).

Contact

Tim Moore
Economics Director
S&P Global Market Intelligence
T: +44 1491 461067
tim.moore@spglobal.com

Hannah Brook
EMEA Communications Manager
S&P Global Market Intelligence
T: +44-7483-439-812
hannah.brook@spglobal.com

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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 77% 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.

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