

S&P Global UK Services PMI[®]

Prices charged inflation lowest since February 2021

Business activity growth eases to three-month low in September

Robust order books underpin positive business expectations for the year ahead

Prices charged inflation slows for third month in a row

Business activity expansion lost momentum across the UK service sector, according to the latest PMI[®] survey data from S&P Global.

At 52.4 in September, the headline seasonally adjusted S&P Global UK Services PMI[®] Business Activity Index was down from 53.7 in August but still above the crucial 50.0 no change threshold. The headline index has posted inside positive territory during each month since November 2023 and the latest reading signalled a moderate expansion of service sector output.

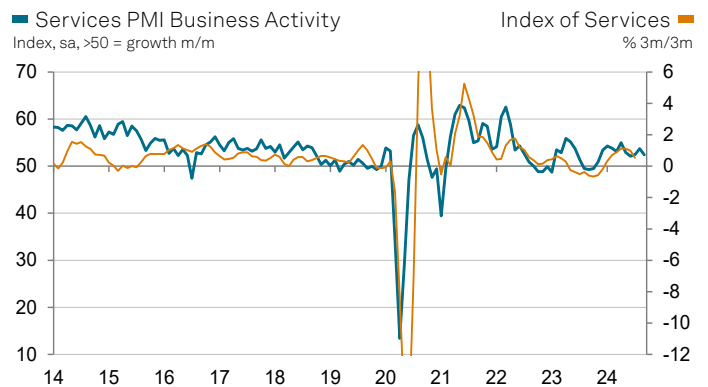
Anecdotal evidence suggested that business activity was boosted by rising domestic demand, especially in relation to spending on technology, real estate and leisure services. A number of firms nonetheless cited cautious decision-making among corporate clients and the impact of stretched household disposable incomes.

September data pointed to another robust increase in new business volumes and the rate of growth held close to the 14-month peak seen in July. Some firms commented on support from lower borrowing costs and domestic economic stability. However, service providers also noted that policy uncertainty ahead of the Autumn Budget on 30th October 2024 had encouraged a wait-and-see approach to major investment decisions among clients.

Export orders continued to rise at a slower pace than total new work, suggesting a headwind to sales from subdued overseas demand. Survey respondents often commented on challenging market conditions and the adverse impact of EU trade frictions.

Service providers indicated that staff hiring lost momentum in September, with the rate of job creation easing considerably since August to its lowest for three months.

Higher employment was typically attributed to cautious long-term expansion of business capacity. Meanwhile, there were a range of reasons cited by survey respondents for lower workforce numbers, with hiring freezes and the non-replacement of leavers due to cost pressures a common theme. Some firms noted redundancies and the need to



Data compiled 12-26 September 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:

"The September PMI surveys suggest that the UK economy is still on a positive trajectory, with improving order books accompanied by cooling inflationary pressures. Most encouragingly, prices charged inflation in the service sector, which acts as a barometer of domestic inflationary pressures, edged down to its lowest since February 2021.

"UK service providers indicated a moderate expansion of activity in September, fuelled by resilient business and consumer spending. However, the post-election rebound lost some momentum as output, new work and employment all increased at the slowest pace for three months.

"Robust domestic demand has been recorded throughout the third quarter of 2024, helping to offset a headwind from lacklustre export sales. Survey respondents linked rising volumes of total new work to renewed growth in the UK economy and the impact of domestic political stability on investment spending.

"Some service sector firms commented on delayed decision-making among clients due to business uncertainty ahead of the Autumn Budget on 30th October. However, the majority of survey respondents (56%) expect a rise in business activity during the year ahead, while only 11% forecast a downturn. The resulting index signalled a slight improvement in overall business optimism since August. Lower borrowing costs, easing price pressures and more certainty regarding the monetary policy outlook all helped to boost growth expectations in the service sector."

find efficiency gains. However, there were also reports suggesting that shortages of candidates had stymied recruitment in some parts of the service economy, especially hospitality and leisure.

Cost burdens increased at a sharp and accelerated pace in September, which was often linked to rising salary payments. Higher shipping costs and greater expenditure on technology services were also cited as pushing up average input prices.

Efforts to pass on higher operating costs to clients led to a robust increase in prices charged across the service economy. However, competitive pressures continued to limit pricing power, such that the latest increase in output charges was the slowest since February 2021.

Finally, business activity expectations for the year ahead picked up since August and remained upbeat overall, despite many firms noting an uncertain near-term outlook for fiscal policy. Positive sentiment was linked to softening inflationary pressures and stable domestic economic conditions.

S&P Global UK Composite PMI®

Slowest expansion of private sector output for three months

September data indicated a moderate upturn in overall private sector output, supported by expansions in both manufacturing and services. Higher levels of activity have been recorded since November 2023. However, at 52.6, down from 53.8 in August, the seasonally adjusted S&P Global UK PMI Composite Output Index pointed to the slowest rate of growth since June.

Private sector firms also signalled the weakest rises in new work and employment for three months.

Prices charged inflation moderated again, despite sharper cost pressures, with the latest reading the lowest since February 2021.

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.

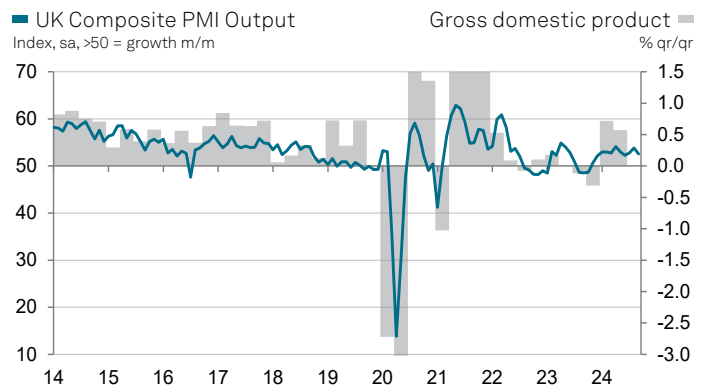
Flash services data were calculated from 80% of final responses. Since January 2006 the average difference between final and flash Services Business Activity Index values is 0.2 (0.7 in absolute terms).

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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Contact

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

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 (0) 7967 447030
sabrina.mayeen@spglobal.com

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