

S&P Global UK Services PMI[®]

Steepest upturn in service sector output since April 2024

August 2025

Output growth accelerates during August

Rebound in new order intakes

Business optimism rises to a 10-month high

August data pointed to a solid upturn in business conditions across the UK service sector, with output and new work rising markedly.

Business expectations for the year ahead also gained momentum in August, with confidence hitting a ten-month high. Survey respondents cited lower borrowing costs, hopes of a turnaround in customer demand and fewer concerns about the impact of US tariffs.

Employment remained a weak spot in August. Workforce numbers decreased for the eleventh consecutive month, reflecting widespread concerns about the impact of rising payroll costs.

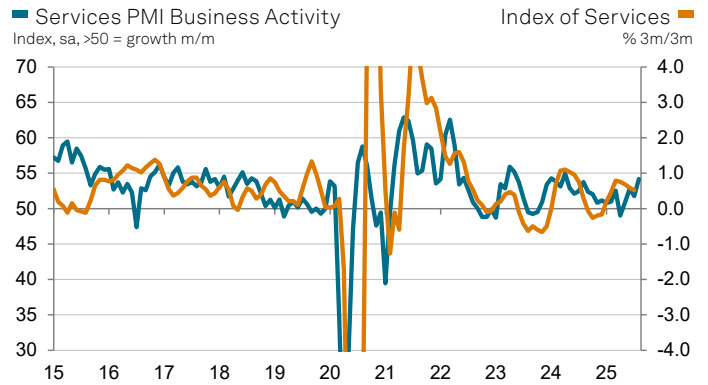
The headline seasonally adjusted S&P Global UK Services PMI Business Activity Index registered 54.2 in August, up from 51.8 in July and the highest reading for 16 months. This signalled a solid rate of output growth at service sector firms, in contrast to a relatively subdued expansion in the second quarter of 2025.

Service providers often commented on a general improvement in trading conditions, the release of pent-up demand and support from lower borrowing costs. Anecdotal evidence continued to cite elevated risk aversion among clients and a subsequent lack of investment spending as factors holding back growth.

New orders returned to expansion, following a moderate decline in July. The increase in total new work received by service sector companies was the strongest since September 2024, which was supported by rising sales in both domestic and overseas markets. August data indicated a rise in new export orders for the first time since March. This was attributed to successful business development strategies in developed economies, with survey respondents often citing rising sales to clients in the EU and US.

Despite a robust increase in workloads, the latest survey indicated that service providers typically retained sufficient capacity to complete both new and existing orders. As a result, backlogs of work were depleted for the twenty-seventh month running in August and at a solid pace.

A combination of spare capacity and intense margin pressures linked to rising payroll costs led to another decrease in staffing numbers across the service economy. Aside from the pandemic, the current 11-month period of



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Comment

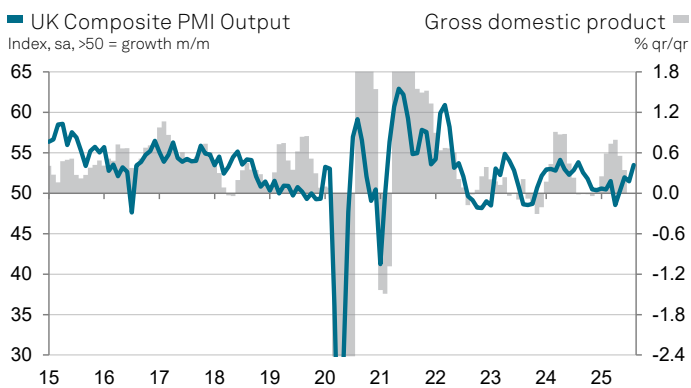
Tim Moore, Economics Director at S&P Global Market Intelligence, said:

"August data highlights a welcome acceleration of output growth and a swift rebound in order books after July's dip, leaving the UK service economy on a much stronger footing as the end of summer comes into view."

"The seasonally adjusted New Orders Index rose by over six points in August, which was the largest one-month gain since March 2021 and indicative of a decisive improvement in customer demand. This was helped by greater domestic business and consumer spending, alongside the first increase in export sales since March."

"Hiring trends remained subdued in comparison to those seen for business activity and new order intakes. Total workforce numbers have decreased in each month since October 2024, with elevated payroll costs again cited as holding back recruitment. Some firms also reported a focus on automation and investments in productivity improvements to help alleviate margin pressures."

"Business activity expectations meanwhile hit a ten-month high in August, providing a clear signal that growth prospects for the UK service economy have moved up from the lows seen this spring. Improved sales pipelines, lower borrowing costs and receding fears about US tariffs all helped to boost business optimism. However, many service providers still commented on elevated government policy uncertainty and worries about forthcoming tax-raising measures expected in the autumn Budget."



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falling employment is the longest seen since 2008-10. Many firms noted either hiring freezes, the non-replacement of voluntary leavers or ongoing redundancies. In some cases, service providers also reported a focus on automation and investments in enhanced productivity to help offset rising wage bills.

Overall input costs increased sharply in August and at the fastest pace for three months. This signalled a re-acceleration in input price inflation after it had eased to a seven-month low in July. Many firms reported efforts by suppliers to pass on higher National Insurance contributions, alongside rising food prices and technology costs. Meanwhile, prices charged inflation across the service economy remained robust and reached its highest level since April, despite reports of squeezed margins and intense competitive pressures.

Looking ahead, nearly half of the survey panel (49%) anticipate a rise in business activity during the year ahead, up from 44% in July, while only 14% predict a decline. This signalled the strongest degree of business optimism since October 2024. Service providers commented on positive forecasts for business and consumer spending, as well as hopes of a more favourable global economic backdrop over the next 12 months. Many firms nonetheless noted business challenges linked to subdued client confidence and weak domestic demand, as well as government policy uncertainty ahead of the autumn Budget.

S&P Global UK Composite PMI[®]

UK private sector output growth hit a one-year high.

The seasonally adjusted S&P Global UK PMI Composite Output Index registered 53.5 in August, up from 51.5 in July, to remain above the neutral 50.0 threshold for the fourth consecutive month. Moreover, the rate of business activity expansion was the strongest since August 2024.

Faster output growth reflected a rise in new orders for the second time in the past three months. Although only modest, the latest increase in new business was the sharpest since October 2024.

Job shedding persisted in August, despite a sustained improvement in business activity expectations. A number of firms cited hiring freezes due to spare capacity and pressure on margins from rising payroll costs.

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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 76% 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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