

# News Release

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## S&P Global UK Services PMI<sup>®</sup>

### Strongest service sector performance since May 2023

#### Key findings

Faster rises in business activity and new orders

Renewed upturn in staffing levels

Cost inflation eases to joint-lowest since February 2021

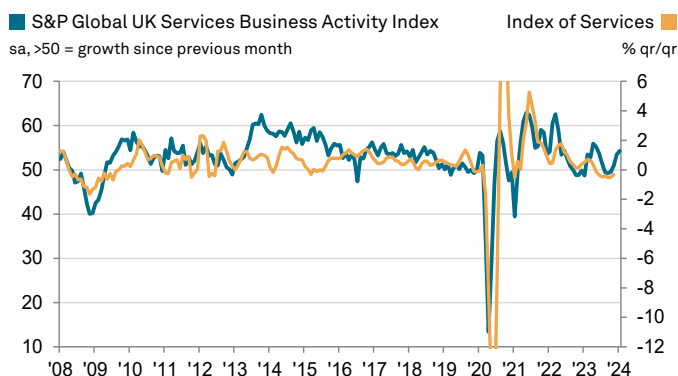
January data signalled a solid increase in business activity across the UK service economy, which extended the current period of expansion to three months. Higher levels of output were supported by a sustained rise in new orders. Survey respondents typically commented on improved confidence among clients due to strengthening economic conditions and expected interest rate cuts.

Service providers noted that strong wage pressures continued to push up operating expenses, although these were partly offset by lower fuel costs and raw material prices. Measured overall, the rate of input cost inflation matched its level recorded last October and was therefore the joint-lowest for nearly three years. This contributed to the slowest rise in prices charged by service sector firms since last September.

The seasonally adjusted final S&P Global UK Services PMI<sup>®</sup> Business Activity Index registered 54.3 in January, up from 53.4 in December and above the crucial 50.0 value for the third successive month. This was above the earlier 'flash' reading in January (53.8) and signalled the fastest rate of business activity growth since May 2023. This was linked to more favourable economic conditions combined with rising business and consumer sentiment at the start of the year. However, some firms still noted a drag on household demand from cost-of-living pressures.

Total new work increased for the third consecutive month in January and at the steepest pace since May 2023. Survey respondents often reported greater willingness-to-spend among clients. A moderate rise in export sales also supported new business growth at the start of 2024, with stronger demand from Asia and the US helping to offset subdued euro area business conditions.

Strengthening order books led to a renewed rise in employment numbers across the service economy during January. Although only marginal, the rate of job creation was the fastest since July 2023. Increased recruitment mostly reflected efforts to boost business capacity and process unfinished work. However, some firms suggested that elevated wage pressures had acted as a constraint on hiring and encouraged the non-replacement of voluntary leavers.



Sources: S&P Global PMI, ONS.  
Data were collected 11-29 January 2024.

#### Comment

**Tim Moore, Economics Director at S&P Global Market Intelligence, which compiles the survey:**

"The revival in UK service sector performance gained momentum at the start of 2024, with output growth accelerating to its fastest for eight months amid stronger business and consumer spending. New orders have also rebounded this winter as receding recession risks and looser financial conditions led to greater willingness-to-spend among clients.

"Inflationary pressures subsided during January, despite stronger demand conditions. Latest data indicated that total input costs increased at one of the slowest rates seen in the past three years. Softer cost inflation reflected lower energy and fuel costs, alongside falling raw material prices.

"Service providers reporting an increase in their operating expenses overwhelmingly linked this to elevated wage pressures. This resulted in another month of robust rise in average prices charged, although the speed of inflation dipped to a four-month low.

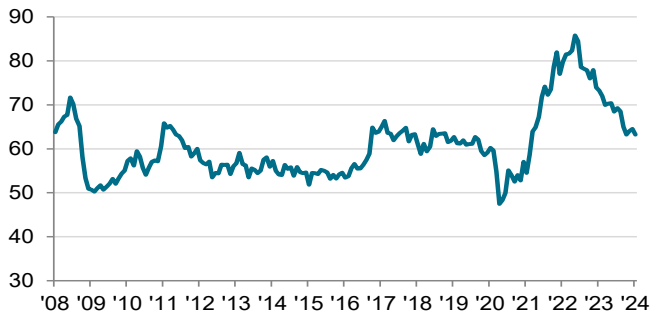
"A combination of falling inflation and improving order books provided a strong boost to business activity expectations across the service economy. The degree of optimism regarding year ahead growth prospects was the highest since April 2023. Another uplift in business confidence in January provides a signal that elevated levels of geopolitical uncertainty have yet to exert much of a constraint on service sector growth projections for 2024."

PMI<sup>®</sup>

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UK Services PMI Input Prices Index  
sa, >50 = inflation since previous month



Source: S&P Global PMI.

Higher staff salaries were the main reason for rising input prices across the service economy during January. The overall rate of cost inflation slowed for the first time in three months and was the joint-lowest since February 2021 (equalling that seen last October).

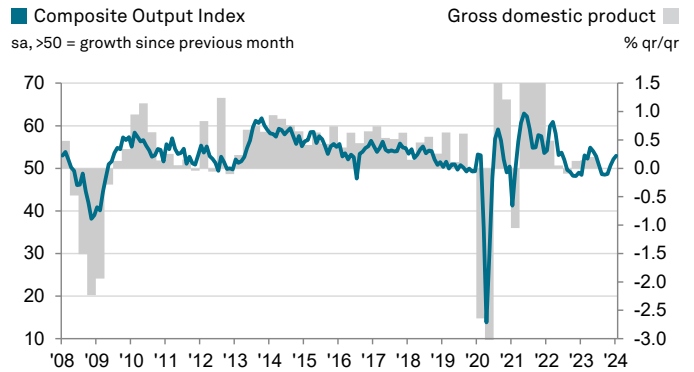
Average prices charged by service sector firms meanwhile increased at a robust pace in January. However, the rate of inflation eased to the lowest since last September. Survey respondents suggested that competitive pressures and softer cost inflation had led to fewer instances of price hikes.

Finally, the latest survey highlighted another improvement in optimism regarding the outlook for business activity during the next 12 months. Around 52% of the survey panel forecast a rise in business activity over the course of 2024, while only 12% predict a reduction. This signalled the strongest degree of positive sentiment since April 2023.

Anecdotal evidence suggested that long-term business expansion plans and supportive economic conditions had underpinned service sector growth projections for the next 12 months. Some firms also cited a favourable impact from looser financial conditions and expected interest rate cuts. Survey respondents nonetheless noted that geopolitical concerns, Brexit trade frictions, and domestic political uncertainty were all factors that could constrain business activity in the year ahead.

## S&P Global UK Composite PMI®

### Private sector output expands for third consecutive month



Sources: S&P Global, ONS.

\*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

At 52.9 in January, up from 52.1 in December, the seasonally adjusted final S&P Global UK Composite PMI\* posted above the 50.0 no-change level for the third month in a row and signalled a moderate rate of expansion. The latest reading was up from the earlier 'flash' reading (52.5) and the highest since May 2023.

Stronger private sector output growth was driven by an improved performance across the service economy. In contrast, manufacturing production continued to decline at the start of 2024 and the rate of contraction matched that seen in December (index at 45.5). Similarly, private sector employment increased for the first time since last August, with rising recruitment in the service economy offsetting another round of job cuts among manufacturing firms.

Business optimism across the private sector improved for the third month running and reached its highest level since May 2023. This was supported by stronger output growth projections in the manufacturing and service sectors at the start of the year, in both cases helped by expectations of more supportive economic conditions at home and abroad.

## Contact

Tim Moore  
Economics Director  
S&P Global Market Intelligence  
T: +44-1491-461-095  
[tim.moore@spglobal.com](mailto:tim.moore@spglobal.com)

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

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### Survey 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.

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](mailto:economics@spglobal.com).

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### About PMI

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### Flash vs. final data

Flash services data were calculated from 87% 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).