

S&P Global UK Services PMI[®]

Fastest rate of service sector growth for 10 months

June 2025

New orders rise for first time in three months

Staffing levels reduced again

Slowest pace of prices charged inflation since February 2021

UK service providers recorded a sustained expansion of business activity in June. The latest upturn was the strongest since August 2024, supported by a renewed improvement in order books.

At the same time, input cost inflation eased for the second month running to its lowest in 2025 so far. This contributed to the weakest rise in prices charged by service providers for nearly four-and-a-half years.

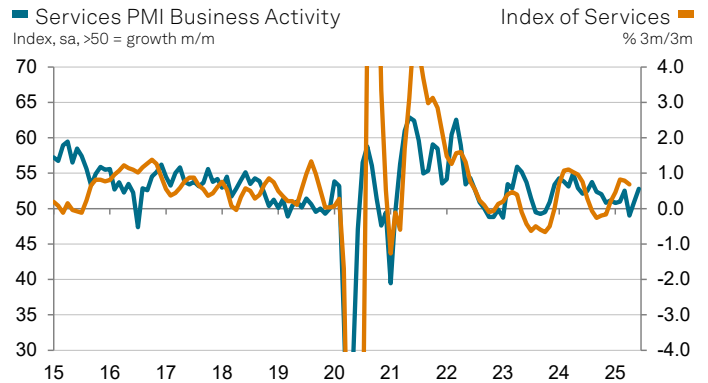
Adjusted for seasonal influences, the S&P Global UK Services PMI[®] Business Activity Index registered 52.8 in June, up from 50.9 in May and the highest for 10 months. The latest reading was above the earlier 'flash' estimate in June (51.3) and indicative of a solid rate of business activity expansion, albeit still below the long-run series average (54.3).

Survey respondents attributed rising output levels to organic sales growth, supported by generally improving business and consumer spending. Many firms also noted successful marketing and promotional initiatives. Meanwhile, some service providers commented on growth headwinds from subdued UK economic conditions, the impact of US tariffs and adverse geopolitical factors.

Total new work received by service sector businesses increased marginally in June and for only the second time in the year-to-date. Moreover, the rate of new order growth was the fastest since November 2024. Renewed improvements in overall sales volumes were driven by greater demand in domestic markets. In contrast, export sales decreased for the third month running.

June data pointed to a solid decline in employment numbers across the service economy, which extended the current period of contraction to nine months. The rate of job shedding was slightly faster than in May. Anecdotal evidence suggested that elevated payroll costs and a lack of pressure on business capacity remained key factors leading to reduced hiring. Backlogs of work have decreased in each month since June 2023, which is the longest continuous period for more than 15 years.

A sharp rate of input price inflation persisted in June, with 29% of the survey panel reporting an increase in their cost burdens and only 1% indicating a decline. However, the resulting seasonally adjusted Input Prices Index signalled that the overall pace of cost inflation eased to its lowest for six months. Survey respondents mostly commented



Data were collected 12-26 June 2025.

Sources: S&P Global PMI, ONS via S&P Global Market Intelligence. © 2025 S&P Global.

Comment

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

"June data highlighted a modest rebound in UK service sector growth, fuelled by a turnaround in domestic business and consumer spending after a soft patch during the spring. Business activity expansion was slightly stronger than the earlier 'flash' estimate for June and the fastest seen since August 2024.

"While total new work picked up in June, shrinking export sales were a constraint on service sector growth. Survey respondents cited headwinds from US tariffs and geopolitical tensions, which resulted in subdued demand conditions across global markets.

"Meanwhile, concerns about elevated payroll costs meant that service providers were reluctant to turn on the hiring taps. Employment numbers decreased for the ninth month running and at a faster pace than in May, with job shedding again often attributed to redundancies as well as the non-replacement of voluntary leavers.

"The latest survey pointed to a considerable slowdown in overall cost inflation across the service economy, which allowed for the slowest rise in output charges since February 2021.

"A combination of easing price pressures and lower employment leaves the door open for the Bank of England to resume its run of interest rate cuts at the next policy meeting in August."

on the impact of rising payroll costs and ongoing efforts by suppliers to pass on greater National Insurance contributions.

A combination of weaker overall cost inflation and intense competition for new work led to another slowdown in prices charged inflation at service sector companies. The latest rise in average prices charged was the least marked since February 2021 and back in line with the long-run series average.

Looking ahead, service providers remained optimistic about their prospects for business activity growth over the next 12 months. Signs of a turnaround in order books and expected declines in borrowing costs were cited as positive factors in June. Nearly three times as many survey respondents (44%) predict an expansion as those that forecast a decline (15%). However, the degree of positive sentiment dipped since May. A number of firms noted concerns regarding domestic economic prospects, elevated global trade uncertainty and geopolitical tensions.

S&P Global UK Composite PMI®

The seasonally adjusted S&P Global UK PMI Composite Output Index posted 52.0, up from 50.3 in May and above the neutral 50.0 threshold for the second month running, following a brief downturn signalled in April. Output growth was the fastest since September 2024, but modest overall.

New business intakes increased for the first time in seven months, despite a sustained reduction in export sales. However, business optimism regarding the year ahead outlook for activity volumes moderated since May.

Input costs rose at the slowest pace in 2025 to date, while prices charged inflation among private sector firms was the weakest since February 2021.

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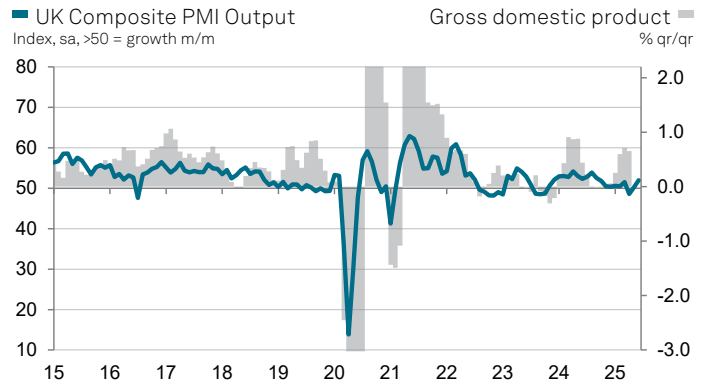
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Methodology

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 78% 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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