News Release
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S&P Global UK Services PMI®

Recovery in service sector performance at start of 2026

January 2026

Output growth rebounds to a five-month high

Solid increase in new work

Job losses continue, despite improved business optimism

January data highlighted a robust increase in business activity across the service economy, which contrasted with only marginal growth during the final quarter of 2025.

The headline seasonally adjusted S&P Global UK Services PMI Business Activity Index registered 54.0 in January, up from 51.4 in December and above the 50.0 no-change mark for the ninth consecutive month. Moreover, the latest reading signalled the fastest pace of expansion since August 2025.

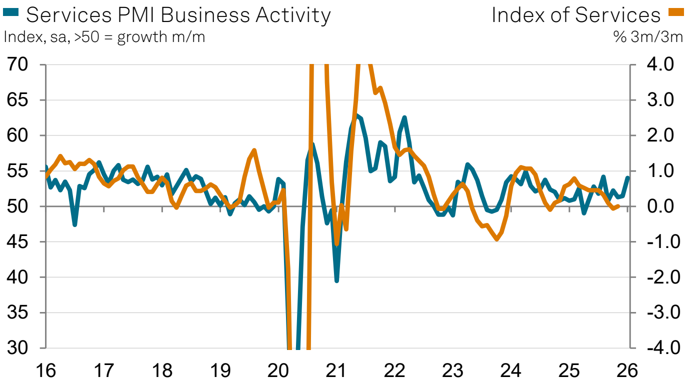
Higher levels of business activity were linked to greater confidence among clients, new project starts and a post-Budget improvement in investment sentiment. However, there were also many reports that geopolitical uncertainties and fragile consumer demand had weighed on growth in January.

Total new business increased at a solid pace at the start of 2026. The pace of expansion hit a three-month high, but remained weaker than the long-run survey average. Service providers commented on a general upturn in clients' willingness to spend. Improved order books were also attributed to increased digital marketing budgets and investments in new technologies. Subdued household spending and lacklustre demand from construction sector clients were cited as holding back sales in some cases.

Rising export orders supported overall new business gains in January. Although only modest, the rate of growth was the second-fastest since October 2024 (exceeded only by that seen last August). A number of firms reported greater sales to clients in Europe, especially Ireland. General economic uncertainty and intense competition in international markets were nonetheless reported by service sector exporters.

Staff hiring remained a weak spot for the service economy, despite signs of a recovery in business activity and incoming new work. Employment numbers have decreased in each month since October 2024, which represents the longest period of job shedding for 16 years. Moreover, the latest survey indicated a faster decline in workforce levels than in December. Anecdotal evidence highlighted squeezed margins, fragile market conditions and efforts to boost productivity through automation as reasons for the non-replacement of voluntary leavers.

Higher payroll costs were by far the most commonly



Data were collected 12-28 January 2026.
Sources: S&P Global PMI, ONS via S&P Global Market Intelligence. © 2026 S&P Global.

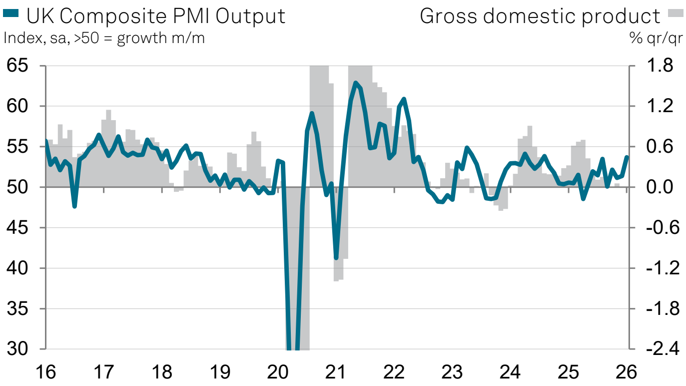
Comment

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

"The latest survey revealed an encouraging start to 2026 for the UK service sector, following a sluggish end to last year. Output growth was the fastest for five months, supported by an uplift in investment sentiment and greater new order intakes. A number of firms suggested that post-Budget clarity had contributed to a broader improvement in client confidence, while some also cited rising export sales.

"Despite a recovery in total new work, service providers still reported that consumer demand was constrained by squeezed disposable incomes, while risk aversion in response to geopolitical tensions was a factor holding back business spending.

"Service sector companies appear cautiously optimistic about their growth prospects for the next 12 months, with confidence the highest seen since October 2024. However, there were again gloomy signals for the UK labour market outlook as staff hiring decreased at a steeper pace in January as firms looked to offset rising payroll costs. Another sharp increase in overall input prices contributed to the fastest rate of output charge inflation for five months."



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cited factor pushing up input prices in January. Latest data signalled a sharp rate of overall cost inflation, albeit slightly lower than December's seven-month high. Greater technology costs and raw material prices (especially food and metals) were also noted at the start of the year.

Efforts to protect margins from rising business costs led to another robust and accelerated increase in prices charged by UK private sector companies. The latest rise in output charges was the steepest since August 2025 and remained well above its long-run average.

Looking ahead, more than half of the survey panel (52%) predict an upturn in their business activity over the next 12 months, while only 12% foresee a reduction. The resulting index signalled the highest level of service sector optimism since October 2024. Service providers typically noted improved sales pipelines due to more upbeat sentiment among clients and expected investment spending.

Some firms commented on hopes of a boost to customer spending from a rebound in construction activity and real estate development in 2026, supported by lower borrowing costs. There were nonetheless many reports of challenging business conditions across the hospitality and leisure sector, as well as widespread concerns about rising business costs and subdued long-term UK economic growth prospects.

S&P Global UK Composite PMI®

January data signalled stronger growth momentum across the UK private sector economy. At 53.7, up from 51.4 in December, the seasonally adjusted S&P Global UK PMI Composite Output Index was the highest for since August 2024 and pointed to a solid upturn in business activity. This was supported by sharper rises in both manufacturing production and service sector activity, with the latter recording the faster pace of expansion.

Adding to signs of a turnaround in demand conditions, latest data pointed to the strongest rise in total new work and the highest business optimism since September 2024. However, private sector job losses accelerated since December.

Prices charged inflation intensified at the start of 2026, with the latest reading the highest since August 2025. This was despite a slight slowdown in overall input cost inflation.

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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 81% 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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