News Release
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S&P Global UK Services PMI®

Service sector growth edges up to a seven-month high

Modest expansion of service sector business activity

New work rises for first time in three months, but job cuts continue

Steep increase in input prices, driven by higher payroll costs

March data indicated that the rate of business activity expansion across the UK service economy gained further momentum.

There were also reports of a gradual turnaround in demand conditions and a subsequent improvement in sales pipelines. Total new work increased for the first time in 2025 to date, albeit only marginally, which was helped by a modest rebound in export orders.

Despite an upturn in workloads, employment remained a weak spot. Staffing numbers decreased for the sixth month running, with survey respondents mostly citing the impact of rising payroll costs.

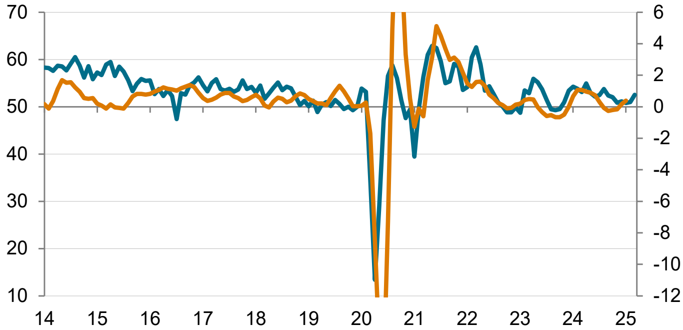
The headline seasonally adjusted S&P Global UK Services PMI® Business Activity Index registered 52.5 in March, up from 51.0 in February and the highest reading since August 2024. This was still lower than the long-run series average (54.3) and signalled only a moderate rate of expansion.

Higher levels of business activity were attributed to improving order books. Although only marginal, the upturn in new work was the fastest since last November. Survey respondents commented on pockets of growth in business and consumer spending. There were again many reports citing challenging business conditions, linked to constrained household budgets, rising risk aversion among clients and elevated geopolitical uncertainty.

New work from abroad increased for the first time in four months and at the fastest pace since last October. Service providers pointed to successful entry into new overseas markets and some suggested a nascent rebound in European demand, but others commented on weaker sales to US clients.

March data pointed to a modest reduction in backlogs of work across the service economy, despite a return to new business growth. Survey respondents typically noted that they had sufficient capacity to meet current business requirements.

Relatively subdued workloads were a factor weighing on staff recruitment in March, alongside efforts to offset the impact of rising National Insurance costs and higher staff wages. Lower payroll numbers have been recorded since last



Data were collected 12-27 March 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:

"March data revealed an acceleration in UK service sector growth to its fastest since August 2024 as a renewed upturn in new orders helped to boost overall business activity.

"However, the subsequent modest recovery in private sector output has been sustained by a relatively narrow segment of the UK economy, primarily technology and financial services. Transportation, leisure and hospitality firms reported weak business conditions in March, while the manufacturing sector saw its fastest drop in production since October 2023.

"Service providers reported a range of constraints on growth, including stretched household budgets, risk aversion among corporate clients and rising geopolitical uncertainty. Service businesses also remained cautious about the near-term outlook, with optimism still among the lowest seen over the past two years. Worries about increasing wages and the impact of forthcoming US tariffs were the most cited challenges in March.

"A combination of subdued order books and elevated input cost inflation led to cautious recruitment policies. Job cuts have now been recorded for six months in a row, reflecting a sustained period of hiring freezes and redundancies.

"The survey's inflation trackers for the service economy were again much stronger than seen in the decade prior to the pandemic. Efforts by suppliers to pass on higher payroll costs were widely reported as a factor leading to increasing prices charged in March."

October, reflecting a combination of redundancies and the non-replacement of leavers. The overall rate of job shedding nonetheless eased considerably since February and was the slowest for four months.

Business activity expectations meanwhile improved slightly in March. Around 43% of the survey panel predict an expansion over the year ahead, while only 14% predict a decline. The degree of confidence was the highest so far in 2025, but remained subdued in comparison to historic survey trends. The most prominent concerns reported by service providers in March were rising payroll costs, weak domestic economic conditions and the impact of US tariffs on the global economic outlook.

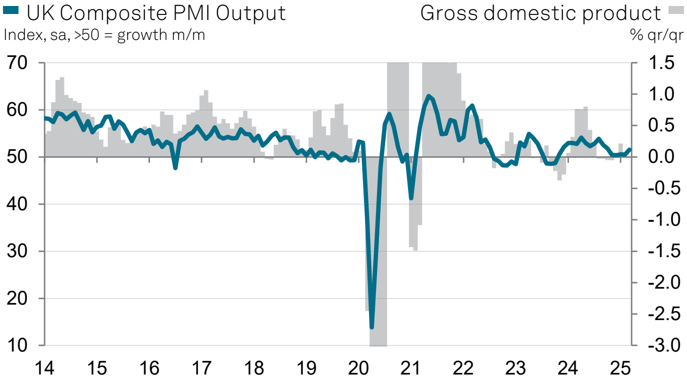
On a more positive note, input price inflation slipped to a three-month low in March. Some firms noted lower transportation costs. This contributed to the slowest rise in prices charged by service providers since December 2024.

S&P Global UK Composite PMI®

At 51.5 in March, up from 50.5 in February, the seasonally adjusted S&P Global UK PMI Composite Output Index was the highest for five months but signalled only a relatively subdued rate of expansion. The latest reading was again below the long-run series average (53.6). A marked decline in manufacturing production weighed on overall private sector output growth.

Total new work meanwhile decreased for the fourth consecutive month amid a steep and accelerated downturn in the manufacturing sector.

Strong cost pressures led to another month of falling private sector employment. That said, the pace of job cuts was the slowest since last November.



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

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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 82% 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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