

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

## Upturn in UK services economy slows further in June

### UK Services Business Activity Index falls to seven-month low

Demand for services improves, but at relatively soft pace

Confidence dips slightly amid general election uncertainty

The UK service sector continued to register greater levels of business activity at the end of the second quarter, stretching the current sequence of growth to eight months.

However, more momentum was lost in June, with the upturn at its weakest since November last year as the upcoming general election reportedly led clients to adopt a "wait-and-see" approach before placing orders and commissioning new projects. Indeed, new business intakes rose at a historically subdued pace, while the pace of job creation also eased.

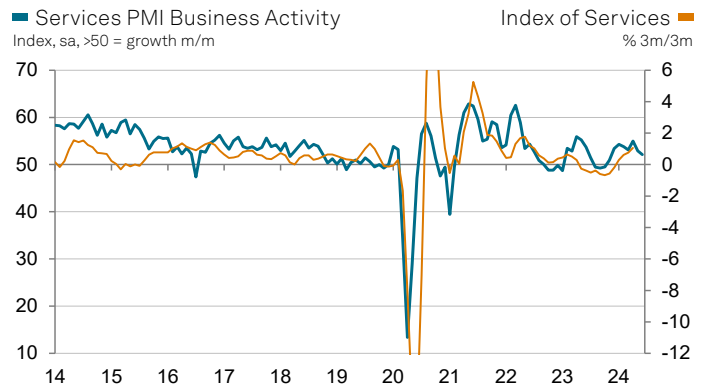
Meanwhile, cost pressures continued to cool, but remained elevated. The rate of output price inflation accelerated slightly from May's recent low, however.

The seasonally adjusted S&P Global UK Services PMI<sup>®</sup> Business Activity Index remained in expansionary territory during June, posting 52.1. While this did signal an eighth consecutive monthly increase in output across the UK service sector, the headline index fell again, from 52.9 in May, signalling the softest rate of growth since November last year. That said, the average for the second quarter as a whole (53.3) was only marginally slower than that of the opening three months of 2024 (53.7), indicating only a modest loss of momentum on a quarterly basis.

Where higher business activity levels were reported (around one-quarter of the panel), survey respondents commonly cited greater intakes of new work. On the other hand, June's upturn was dampened as output levels at some companies were restricted by client hesitancy and delays in the sign-off of new projects due to the upcoming general election. Indeed, the rate of new business growth was only modest and the weakest in seven months.

There was a slight pick-up in sales growth from non-domestic customers, however. New business wins were secured from clients in North America and Europe, according to anecdotal evidence.

June survey data signalled a further reduction in the level of outstanding work across the UK service sector. This was the thirteenth month in a row where backlogs have fallen, with some companies noting the completion of long-term projects. The extent to which incomplete orders declined was the sharpest since November 2023.



Data compiled 12-26 June 2024.

Sources: S&P Global PMI, ONS via S&P Global Market Intelligence. © 2024 S&P Global.

### Comment

Joe Hayes, Principal Economist at S&P Global Market Intelligence

"We are seeing some evidence of a pre-general election seize up across the UK services economy, with growth in business activity slowing to a seven-month low in June as the prospect of a change in government led to the adoption of a "wait-and-see" approach by some, restraining sales.

"Nevertheless, we're on track for another quarter of GDP growth, according to Composite PMI data for the three months to June, albeit one that will be less punchy than the first quarter's 0.7%.

"Prices still continue to show a high degree of stickiness across the UK service sector, although input cost inflation once again trended lower in June. The direction of travel here is encouraging for the Bank of England, but our survey's gauge of prices charged actually rose on the month as some companies noted their pricing power was strong enough to raise their fees.

"While costs, mostly from wages, have been the major driving force behind strong services inflation, the recovery of the UK economy from its late-2023 lull adds another dynamic for policymakers to consider should stronger economic conditions motivate more companies to raise their prices."

When questioned on their expectations for business activity in 12 months' time, UK service providers remained optimistic, with almost half of respondents (48%) predicting growth. A strengthening of the UK economy, investment, lower interest rates and better sales performances were factors firms anticipate will lift activity levels. However, the overall level of confidence slipped to a seven-month low as some companies were concerned about potential uncertainty caused by a change in government.

UK services companies showed greater restraint when it came to hiring compared with the previous month, as the rate of employment growth slowed and was only marginal overall. In some cases, firms made redundancies and opted to not replace voluntary leavers to cut costs.

Operating expenses continued to rise at a sharp pace across the UK service sector, with wage bills noted as a key source of inflation. Survey respondents also mentioned higher shipping costs and greater raw material prices. Nevertheless, the overall extent to which input costs rose was the slowest since February 2021.

Prices charged increased at a slightly stronger rate during June, however. The rate of inflation accelerated slightly from May's 37-month low and was considerably stronger than seen on average since the survey began in 1996.

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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.

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).

Flash services data were calculated from 70% 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).

## PMI by S&P Global

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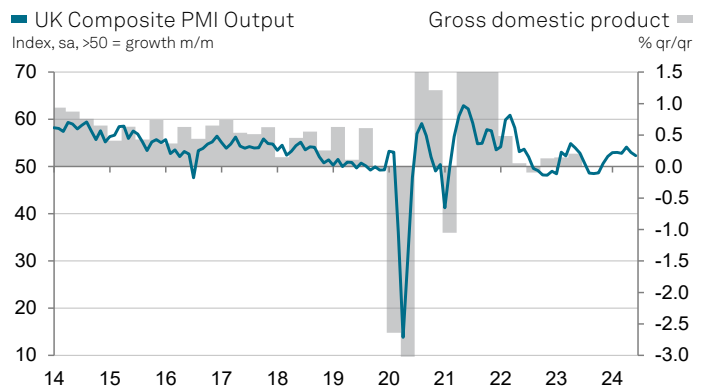
## UK Composite PMI®

### UK private sector activity growth slows to year-to-date low

The seasonally adjusted S&P Global UK PMI Composite Output Index remained in expansion territory at the end of the second quarter, although the pace of growth in business activity slowed for a second successive month to its weakest in 2024 so far. Posting 52.3, down from 53.0 in May, the index was at a six-month low.

A loss of growth momentum was also seen in new orders. Employment growth was nevertheless sustained, albeit easing and only marginal overall.

There was little-change in the rate of input cost inflation, which held close to May's 40-month low. Output charges rose at a sharper pace, however.



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