

S&P Global UK Services PMI[®]

Service sector growth slows amid decline in new work

July 2025

Modest increase in service sector business activity

Renewed fall in total new work

Sharpest decline in employment since February

The UK service economy lost momentum in July, reflecting sluggish demand at home and abroad. The latest PMI[®] survey highlighted a slowing of business activity growth since June, while incoming new work decreased for the third time in the past four months. Subdued sales pipelines and concerns about rising input costs subsequently led to an accelerated pace of job shedding.

On a more positive note, business activity expectations for the year ahead improved slightly in July. Optimism was comfortably above the average seen in the first half of 2025.

At 51.8 in July, the headline S&P Global UK Services PMI Business Activity Index dropped from 52.8 in June, but remained above the 50.0 no-change value for the third month running. The latest reading signalled a modest overall expansion of output levels across the service sector.

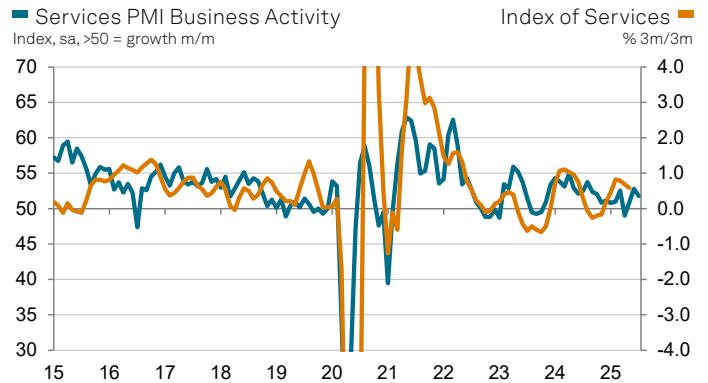
Survey respondents commented on a gradual expansion of business activity despite subdued client confidence and headwinds to sales from elevated global economic uncertainty.

Total new work decreased in July, with the rate of contraction the fastest since November 2022. A number of service providers noted the impact of weak client confidence and delayed investment decisions.

Export sales also fell in July, albeit only marginally and at a slower pace than in the previous month. Reduced overseas demand was linked to fragile global economic conditions and, in some cases, elevated geopolitical tensions.

July data indicated a solid reduction in staffing numbers across the service economy, which continued the downward trend seen since October 2024. Comments from survey respondents widely cited hiring freezes and redundancies in response to subdued demand and robust input cost inflation. Adding to signs of a lack of pressure on business capacity, the latest survey indicated a reduction in backlogs of work for the twenty-sixth month in a row.

The overall rate of input price inflation moderated to its lowest so far in 2025, but remained well above the long-run survey average. Strong cost pressures were widely linked to efforts by suppliers to pass on higher National Insurance contributions and National Minimum Wage rates. Many commented on higher transportation bills, in part reflecting international shipping delays, but some firms noted that



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Comment

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

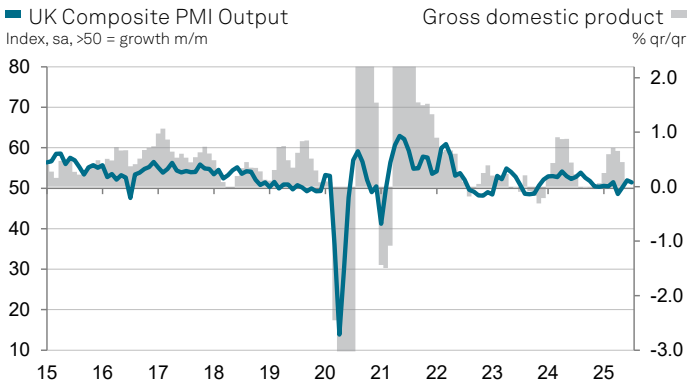
"UK service providers recorded a third consecutive monthly rise in business activity, but they were unable to maintain the growth rate achieved in June.

"Moreover, new business intakes swung back into contraction during July, with the downturn in order books the fastest for just over two-and-a-half years. Risk aversion and low confidence among clients were the main reasons provided for sluggish sales pipelines, alongside an unfavourable global economic backdrop.

"Hiring trends were especially subdued, with total workforce numbers decreasing to the greatest extent since February. Worries about rising payroll costs were cited as the main factor holding back recruitment.

"Suppliers again sought to pass on rising employment costs, although the latest increase in input prices across the service economy was the slowest since December 2024.

"Despite headwinds from strong cost pressures and lacklustre domestic economic conditions, service providers remain upbeat overall regarding the year ahead business outlook. Optimism improved since June, helped by receding concerns about US tariffs and hopes of a boost to business and consumer spending from interest rate cuts in the second half of 2025."



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lower raw material prices had helped to alleviate overall cost pressures.

Prices charged inflation meanwhile accelerated since June but was weaker than seen on average during the first half of the year. Service providers once again commented on the need to pass through some of the recent increase in their payroll costs. However, this was balanced against weaker sales pipelines and intense competition for new work.

Finally, around 44% of the survey panel predict an expansion of business activity during the year ahead, while only 12% forecast a reduction. This signalled a robust degree of positive sentiment across the service sector. Confidence levels were the second-highest since October 2024. Anecdotal evidence cited planned business investments and new product launches despite a range of domestic economic headwinds. Some firms also commented on hopes of a boost from lower borrowing costs and the release of pent-up demand if global trade tensions continue to moderate in the coming months.

S&P Global UK Composite PMI[®]

At 51.5 in July, the seasonally adjusted S&P Global UK PMI Composite Output Index eased from June's nine-month high of 52.0. However, the latest reading still signalled a modest overall expansion of private sector activity.

July data meanwhile indicated a renewed downturn in new work, following a marginal uplift in the previous month. Moreover, private sector employment decreased again, with the rate of job losses the fastest since February.

Input price inflation continued to moderate in July. Although still sharp, the latest rise in average cost burdens was the least marked since December 2024.

Contact

Tim Moore
Economics Director
S&P Global Market Intelligence
T: +44 1491 461067
tim.moore@spglobal.com

Hannah Brook
EMEA Communications Manager
S&P Global Market Intelligence
T: +44-7483-439-812
hannah.brook@spglobal.com

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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 83% 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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