

# News Release

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

### Service sector output growth strongest since May 2023

#### Key findings

Activity and new work rise at fastest rates for 11 months

Staff hiring remains subdued

Input cost inflation highest since August 2023

UK service providers recorded a robust and accelerated upturn in business activity during April, supported by a renewed strengthening of order books. Survey respondents often commented on a boost to sales from improving client confidence and signs of a turnaround in underlying economic conditions. That said, the rate of job creation was only marginal and the lowest in 2024 so far as firms typically opted to remain focussed on limiting margin pressures.

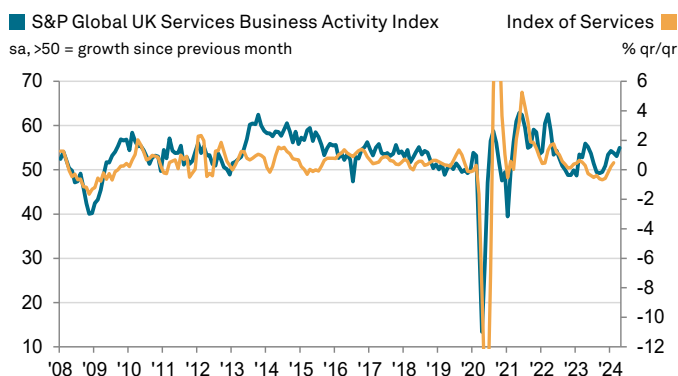
Higher wages, partly driven by a considerable rise in the National Living Wage in April, resulted in the sharpest overall increase in input costs since August 2023. In contrast, prices charged by service sector firms rose at the slowest pace for three years.

At 55.0 in April, the seasonally adjusted S&P Global UK Services PMI<sup>®</sup> Business Activity Index was up from 53.1 in March and above the crucial 50.0 no-change value for the sixth consecutive month. Moreover, the latest reading indicated the fastest rate of business activity growth since May 2023.

Similarly, new order volumes increased at a robust pace in April and to the largest extent for 11 months. Service providers noted that sales pipelines had improved amid stronger business and consumer spending, in part linked to greater optimism towards the broader economic outlook. Higher levels of new work from abroad also boosted total order books in April, with growth the fastest since March 2023 amid ongoing reports of strengthening sales to clients in the US and Asia.

Despite another marked improvement in new order intakes, latest data signalled a marginal fall in backlogs of work. Survey respondents typically suggested that business capacity was sufficient to process both new and existing workloads.

April data pointed to only a slight increase in staffing numbers. Rising employment has been recorded throughout the past four months, but the latest round of hiring was the weakest seen over this period. In some cases, subdued recruitment simply reflected difficulties finding suitable candidates to fill vacancies, whereas other firms noted that elevated wage



#### Comment

**Tim Moore, Economics Director at S&P Global Market Intelligence, which compiles the survey:**

"Service providers benefited from improving business and consumer spending in April as more favourable demand conditions underpinned the greatest improvement in activity since May 2023. The latest survey results are consistent with the UK economy growing at a quarterly rate of 0.4% and therefore pulling further out of last year's shallow recession.

"Relief at a turnaround in the economic outlook was commonly cited as a factor supporting sales pipelines in April. However, there were also reports that clients remained somewhat risk averse and under pressure from elevated inflation. These undercurrents constrained margins and meant that some service sector companies were cautious about taking on more staff. The overall rate of job creation was only marginal in April and slipped to its weakest so far in 2024.

"Prices charged inflation across the service sector eased to a three-year low in April, suggesting that the pass-through of higher costs has started to wane. This was despite a sharp and accelerated rise in business expenses as strong wage inflation pushed up operating costs.

"Business activity expectations for the year ahead were upbeat overall in April, therefore adding to signs that the recovery in service sector performance has further to run. Election uncertainty and fading prospects for interest rate cuts were cited as headwinds on the horizon, but survey respondents still mostly reported positive sentiment towards their business investment plans and longer-term growth opportunities."

PMI<sup>®</sup>

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UK Services PMI Input Prices Index

sa, >50 = inflation since previous month



Source: S&P Global PMI.

pressures had acted as a constraint on job creation.

Around 39% of the survey panel reported an increase in their average cost burdens in April, while only 1% registered a decline. The resulting seasonally adjusted index signalled that cost inflation accelerated since March to its steepest for eight months. Service providers mainly commented on additional salary payments, in particular a near 10% annual rise in the National Living Wage and its indirect impact on hourly pay rates for other employees.

Efforts to pass on higher business expenses to clients resulted in another robust rise in average prices charged by service sector companies. However, the overall rate of charge inflation eased to its lowest since April 2021. There were reports that competitive pressures had constrained pricing power and led to some promotional discounting.

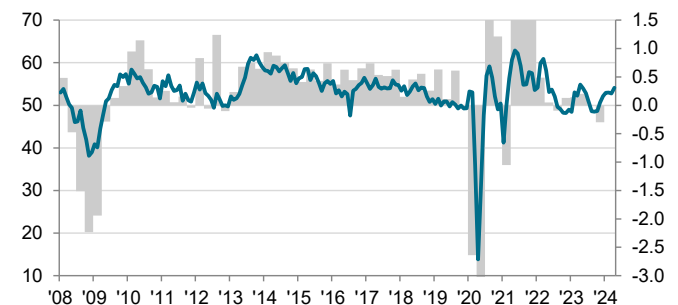
Service providers meanwhile remained upbeat about business activity prospects for the year ahead, with around 54% anticipating a rise and only 10% predicting a decline. The degree of optimism nonetheless eased further from February's two-year peak. Positive sentiment was typically attributed to signs of a turnaround in client demand and forthcoming marketing initiatives, alongside rising business investment and long-term expansion plans. Survey respondents also suggested that election uncertainty, elevated interest rates and fragile global economic conditions were among the factors likely to dampen business activity growth.

S&P Global UK Composite PMI®

UK private sector output growth hits one-year high

Composite Output Index sa, >50 = growth since previous month

Gross domestic product % qr/qr



Sources: S&P Global, ONS.

\*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

The seasonally adjusted S&P Global UK PMI Composite Output Index\* registered 54.1 in April, up from 52.8 in March and in positive territory for the sixth consecutive month. Moreover, the latest reading signalled the fastest expansion of private sector business activity since April 2023.

Stronger output growth was driven by a robust and accelerated upturn in the service economy. Manufacturing production meanwhile returned to contraction, although the decline was only marginal. There was a similar pattern for order books, with service providers reporting a faster rise while goods producers experienced a renewed downturn.

Both manufacturers and service sector firms recorded steeper increases in their input costs during April. Measured overall, input price inflation across the private sector economy was the strongest since July 2023. In contrast, overall output charge inflation eased slightly since March, despite the rate of factory gate price inflation hitting an 11-month high.

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### Survey 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).

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### About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. [www.spglobal.com/marketintelligence/en/mi/products/pmi](http://www.spglobal.com/marketintelligence/en/mi/products/pmi)

### Flash vs. final data

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).