News Release
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S&P Global UK Services PMI®

Weakest rise in service sector output for 11 months

March 2026

Output growth eases amid renewed decline in new work

Input price inflation highest since April 2025 due to surge in fuel costs

Business optimism falls to its lowest for nine months

March PMI® data highlighted a considerable slowdown in business activity growth across the service economy.

The tapering of growth was mostly linked to falling business and consumer spending due to concerns about the impact of the war in the Middle East. Moreover, margins were under pressure as input cost inflation accelerated to its highest for 11 months, driven by higher prices paid for fuel, transportation and raw materials.

The headline seasonally adjusted S&P Global UK Services PMI Business Activity Index posted 50.5 in March, down from 53.9 in February and the lowest since April 2025. The final index reading was also below the earlier 'flash' estimate of 51.2 in March. Any reading above 50.0 indicates an overall expansion of business activity.

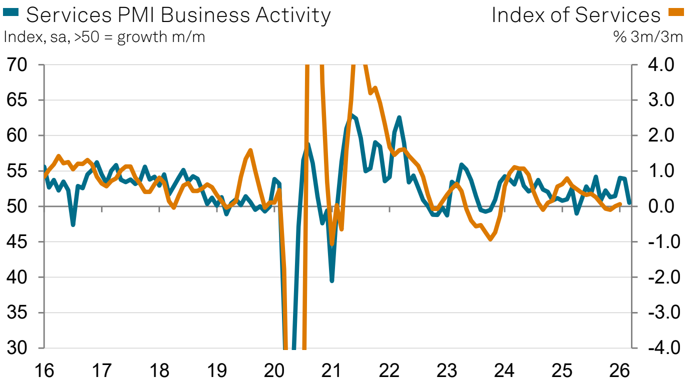
Higher output levels have been recorded in each of the past 11 months, but the latest expansion was only marginal and the weakest seen over this period. Some firms commented on a boost to activity from improved demand conditions at the beginning of 2026. However, many firms noted that the conflict in the Middle East had weighed on growth in March.

Regional instabilities and rising global economic uncertainty led to a renewed decline in total new work received by UK service sector companies. This was the first downturn in order books since November 2025 and the pace of contraction was the sharpest for eight months.

Anecdotal evidence suggested that the war in the Middle East had a negative influence on client confidence and resulted in delayed investment decisions. Export sales were also impacted in March, with new business from abroad falling at the fastest rate since April 2025.

March data indicated that backlogs of work remained broadly unchanged, despite frequent reports of international shipping delays and worsening supply chain performance. Service providers generally suggested that they had sufficient capacity to meet new and existing workloads.

A lack of pressure on business capacity, alongside the need to mitigate rising payroll costs, contributed to a further reduction in staffing numbers during March. That said, the latest decrease in employment was the slowest since October 2025.



Data were collected 12-27 March 2026.

Sources: S&P Global PMI, ONS via S&P Global Market Intelligence. © 2026 S&P Global.

Comment

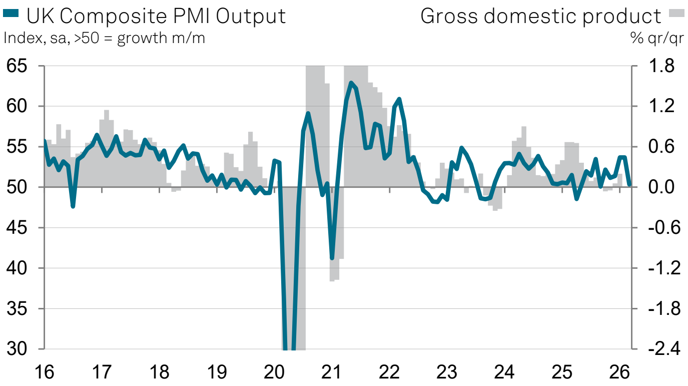
Tim Moore, Economics Director at S&P Global Market Intelligence, said:

"UK service providers experienced a marked slowdown in output growth in March as the war in the Middle East encouraged greater risk aversion among clients and postponed investment decisions. Cutbacks to business and consumer spending meant that the rate of business activity expansion was the weakest seen since April 2025.

"Stagflation risks appear to have increased, with the final Services PMI data signalling slower growth and higher cost pressures than the earlier 'flash' estimates based on data compiled up to 20th March. Overall input cost inflation has accelerated sharply since February and was the strongest for 11 months, which was overwhelmingly linked to rising fuel and transportation bills. Many firms also noted that suppliers had sought to pass on higher prices paid for energy, raw materials and shipping.

"Rising global economic uncertainty due to the war in the Middle East contributed to a further decline in business optimism across the UK service economy. Confidence levels have fallen sharply after hitting a 15-month high in January. Service providers widely commented on fragile domestic economic conditions and concerns about the impact of rising inflation and higher borrowing costs on client demand over the year ahead."

PMI by S&P Global



Sources: S&P Global PMI, ONS via S&P Global Market Intelligence. © 2026 S&P Global.

Around 40% of the survey panel reported an increase in their input costs during March, while only 2% noted a decline. This signalled a sharp acceleration in input price inflation to its highest since April 2025. Rising operating expenses were overwhelmingly linked to higher fuel and transportation costs, alongside elevated wage pressures and efforts by suppliers to pass on increased raw material prices.

Service providers pointed to a robust increase in their output charges in March and the rate of inflation was also the strongest for 11 months.

Business activity expectations for the year ahead remained positive in March, but optimism levels dropped further from January's 15-month high. Survey respondents typically cited concerns about the duration of the war in the Middle East, especially in terms of its impact on the outlook for inflation, supply chains and borrowing costs.

S&P Global UK Composite PMI®

Business activity expanded at the slowest pace for six months in March.

At 50.3, down from 53.7 in February, the seasonally adjusted S&P Global UK PMI Composite Output Index signalled only a marginal overall increase in private sector output. The final index reading was also lower than the earlier 'flash' estimate in March (51.0). Sector data signalled a loss of growth momentum in the service economy and a renewed downturn in manufacturing production.

Average cost burdens increased at an accelerated pace in both the manufacturing and service sectors during March, with the former posting the steeper rate of inflation. Measured overall, input costs at UK private sector firms rose to the greatest extent since February 2023.

March data signalled a reduction in business confidence towards the year ahead outlook. The degree of positive sentiment was the weakest since June 2025. This reflected marked declines in optimism in both the manufacturing and service sectors as a result of the war in the Middle East.

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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 84% 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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