

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

## Service sector output returns to growth

May 2025

Marginal increase in business activity

Business optimism rebounds to a seven-month high

New work and employment continue to decline

May data indicated a renewed upturn in UK service sector output, helped by improving confidence among clients and fewer reports of tariff concerns.

However, service providers noted that elevated business uncertainty and pressure on corporate budgets from rising payroll costs continued to dampen demand. Total new work decreased for the fourth time in the past five months, despite a near-stabilisation in export sales.

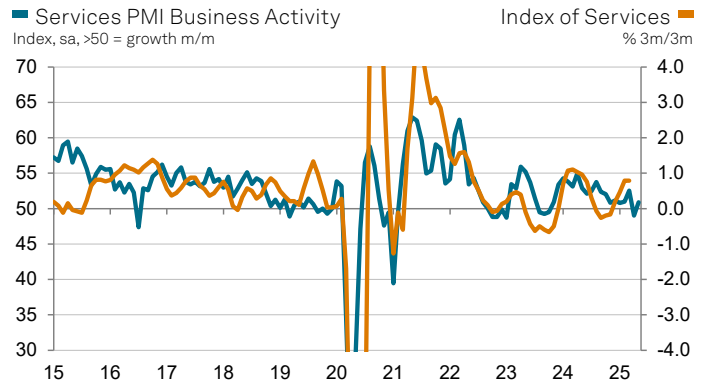
The headline seasonally adjusted final S&P Global UK Services PMI<sup>®</sup> Business Activity Index registered 50.9 in May, above the earlier 'flash' reading (50.2) and up from April's 27-month low of 49.0. Output growth was nonetheless only marginal and much weaker than the long-run survey average.

Service providers reporting an increase in business activity generally cited the impact of improved business optimism after the US tariff-related slump seen in April. Resilient consumer confidence, new marketing initiatives and competitive pricing strategies also helped to boost overall output levels, according to survey respondents.

May data indicated another decline in new order intakes across the service economy, although the rate of contraction eased since April and was only marginal. Lower volumes of new work were attributed to lacklustre demand conditions in both domestic and overseas markets, despite a boost to client confidence from the rollback of US tariffs. Service providers often noted cutbacks to non-essential spending and a reluctance to commit to new projects. Export sales were broadly unchanged, however, following a marked reduction in the previous month. Some firms suggested that rising European demand had helped to offset subdued sales to US clients.

Backlogs of work decreased at the fastest pace since February, largely reflecting a lack of pressure on business capacity. The solid decline in unfinished business during May extended the current period of backlog depletion across the service economy to two years.

Service providers widely commented on the non-replacement of voluntary leavers in May, which resulted in a sustained downturn in total employment numbers. Job shedding has been recorded in each of the past eight months, although the latest fall in workforce levels was the slowest since November 2024. Many firms cited a negative impact on hiring plans from rising payroll costs.



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### Comment

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

"The service sector regained its poise in May as receding concerns about US tariffs, recovering global financial markets and greater confidence among clients all helped to support output growth. Although only marginal, the upturn in service sector activity was stronger than first estimated in May.

"Output growth expectations for the year ahead also rebounded after April's tariff-related slump. Optimism reached its highest level since October 2024, which reflected forthcoming business investment plans alongside hopes of a turnaround in sales pipelines and improving domestic economic prospects.

"Prevailing demand conditions nonetheless remained challenging in May, as signalled by a sustained reduction in total new orders across the service economy. Survey respondents mostly cited cutbacks to discretionary business and consumer spending.

"Reduced workloads and pressure on margins from increased payroll costs meant that headcounts remained under close scrutiny. Aside from the pandemic, the current eight-month period of falling employment numbers is the longest streak since 2008-10.

"While rising wages were again the most commonly reported factor pushing up input prices, the overall rate of cost inflation eased from April's 21-month high. Softer cost inflation and intense competitive pressures contributed to the slowest rise in price charged by service providers since last October."

Average cost burdens increased sharply in May, with around 37% of the survey panel reporting a rise and only 1% signalling a decline. The overall rate of inflation eased slightly since April, but was still among the highest recorded since the summer of 2023. This was linked to higher minimum wage rates and ongoing efforts by suppliers to pass on increased National Insurance contributions. Prices charged inflation across the service economy meanwhile slipped to a seven-month low, which was typically attributed to elevated competitive pressures.

Finally, the latest survey indicated a considerable rebound in business activity expectations from the two-and-a-half year low seen in April. Around 43% of survey respondents predict an upturn in their output levels during the next 12 months, while only 11% forecast a decline. The resulting index pointed to the strongest degree of business optimism since October 2024. Anecdotal evidence suggested that fewer concerns regarding the impact of US tariffs had helped to boost business sentiment in May, despite ongoing concerns about rising political uncertainty at home and abroad.

## S&P Global UK Composite PMI®

At 50.3 in May, up from 48.5 in April, the seasonally adjusted S&P Global UK PMI Composite Output Index moved back above the neutral 50.0 threshold. That said, the latest reading was still the second-lowest since October 2023.

Higher levels of service sector output contrasted with a solid reduction in manufacturing production.

UK private sector firms indicated that total new business decreased for the sixth consecutive month in May. This contributed to another solid fall in staffing numbers.

Despite weaker order books and cutbacks to staff hiring, latest data indicated a rebound in business optimism to its highest for six months.

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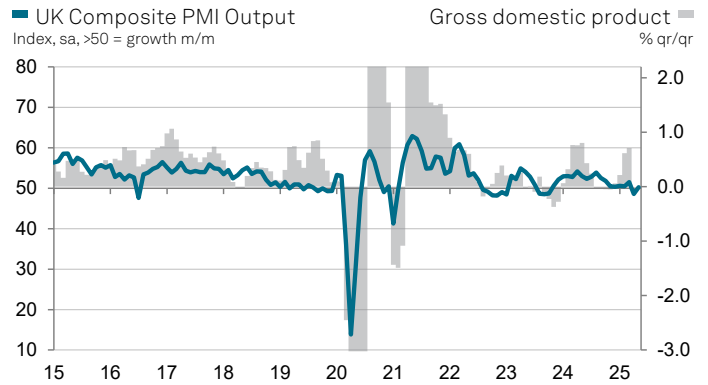
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## Methodology

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 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).

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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