

S&P Global UK Services PMI[®]

Marginal growth maintained, but job shedding accelerates

Output rises despite fastest decline in new work since November 2022

Steepest pace of job shedding for just over four years

Higher wages underpin another sharp increase in input costs

S&P Global UK Services PMI[®] survey data indicated that the sector eked out another slight rise in output levels. New orders and staffing numbers nonetheless fell at faster rates than at the start of 2025.

The latest reduction in employment was the sharpest since November 2020, which was linked to weak demand and sharply increasing input prices. Overall cost inflation eased since January but remained much faster than seen throughout the second half of last year.

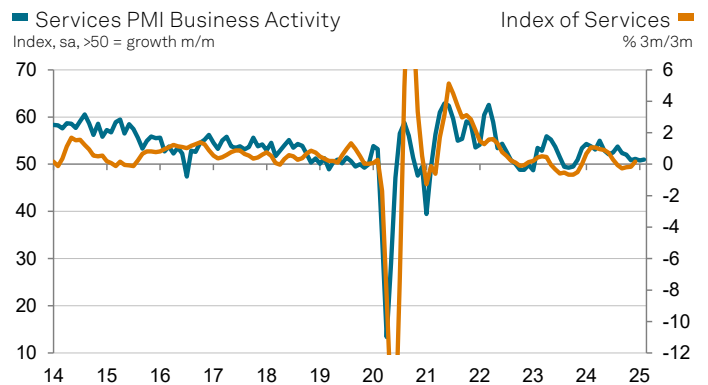
At 51.0 in February, the headline seasonally adjusted S&P Global UK Services PMI[®] Business Activity Index was up fractionally from 50.8 in January and above the neutral 50.0 threshold for the sixteenth successive month. However, the latest reading was well below the long-run series average (54.3) and pointed to only a marginal expansion in service sector output.

Service providers often commented on a lack of new work to replace completed projects. Total new business decreased for the second month running and at the fastest pace since November 2022. Lower sales volumes were mostly attributed to cutbacks to business investment among clients, heightened economic uncertainty, and ongoing headwinds to discretionary consumer spending.

Export sales decreased again in February. The latest survey indicated a solid fall in new work from abroad that was the steepest since December 2021. Anecdotal evidence suggested that weak demand across Europe had offset gains in new work across Asia and the US.

Around one-third of survey respondents reported an increase in their average cost burdens during February, compared to just 2% that signalled a reduction. This mostly reflected higher salary payments and efforts by suppliers to pass on rising payroll costs. A steep rise in operating expenses contributed to another robust increase in prices charged across the service economy. However, the rate of inflation eased slightly since January amid reports of weaker pricing power and intense competitive pressures.

A combination of lacklustre demand and rising payroll costs



Data were collected 9-29 January 2025.

Sources: S&P Global PMI, ONS via S&P Global Market Intelligence. © 2025 S&P Global.

Comment

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

"UK service providers achieved another modest increase in overall business activity during February, thereby extending a run of expansion that stretches back to November 2023. However, there has been a clear loss of growth momentum since last autumn and the survey's forward-looking indicators continue to suggest an elevated risk of stagflation on the horizon.

"Demand conditions softened in both domestic and export markets, with total new work falling to the greatest extent for just under two-and-a-half years. Business services were hit by cutbacks to investment spending among clients and delayed decision-making due to broader geopolitical headwinds. Consumer service providers meanwhile noted constrained discretionary spending and pressure on household budgets from rising living costs.

"Worries about the near-term economic outlook and the impact of rising payroll costs contributed to another slide in business optimism. The overall degree of confidence regarding year ahead growth prospects was the lowest since December 2022.

"Less upbeat business expectations and another month of sharply rising input prices led to net job shedding across the service economy in February. Employment has now decreased for five months in a row. Aside from the pandemic, this represents the longest period of falling employment since early-2011."

led to cautious recruitment strategies in February. Around 24% of the survey panel indicated a reduction in total employment numbers, while only 13% signalled a rise. The resulting seasonally adjusted index pointed to the fastest pace of job shedding since November 2020.

Lower employment also reflected concerns about the near-term business outlook. February data indicated that service providers were still positive about their business activity prospects during the next 12 months, but the degree of confidence slipped to the lowest since December 2022. Survey respondents mostly commented on the impact of rising payroll costs, subdued market conditions and geopolitical uncertainty. Those predicting a rise in output noted hopes of a turnaround in sales pipelines, investments in new product development and expansion into new markets.

S&P Global UK Composite PMI®

The seasonally adjusted S&P Global UK PMI Composite Output Index registered 50.5 in February, down from 50.6 in January but above the 50.0 no-change value for the sixteenth successive month. Higher levels of service sector activity more than offset a solid reduction in manufacturing production.

New business volumes meanwhile decreased for the third month in a row, reflecting subdued demand in both the manufacturing and service sectors.

Lower sales volumes and sharply rising input costs, especially staff wages, contributed to another fall in private sector employment. The latest decline was the fastest since November 2020.

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.

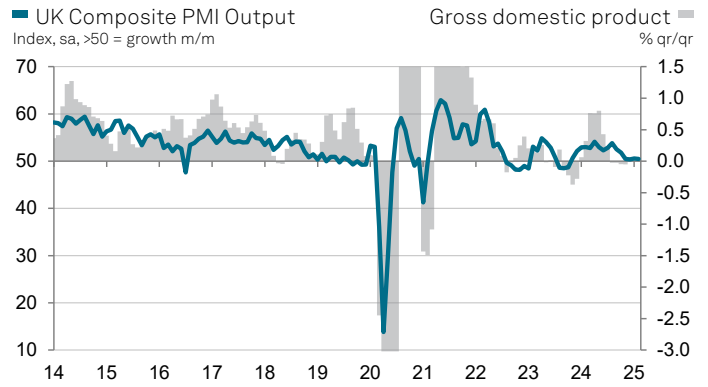
Flash services data were calculated from 86% of final responses. Since January 2006 the average difference between final and flash Services Business Activity Index values is 0.2 (0.7 in absolute terms).

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.

PMI by S&P Global

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