News Release

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S&P Global UK Services PMI®

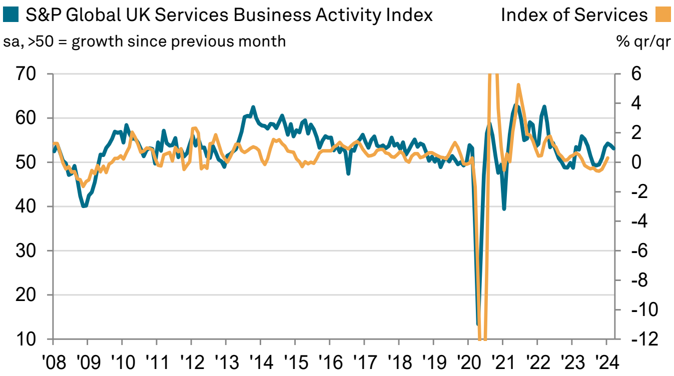
Business activity expands again in March, but speed of recovery eases to four-month low

Key findings

Slowest rises in activity and new work since November 2023

Marginal increase in employment

Prices charged inflation slips to a six-month low



Sources: S&P Global PMI, ONS.
Data were collected 12-26 March 2024.

March data pointed to a solid increase in business activity across the service economy, which extended the current period of expansion to five months. That said, the latest survey indicated a loss of momentum since February, largely due to a weaker rise in new work. Survey respondents noted that improving underlying economic conditions had helped to support service sector growth, although squeezed disposable household incomes and elevated interest rates again weighed on demand.

Strong wage pressures and rising transport costs pushed up input costs in March. The rate of prices charged inflation at service sector firms nonetheless eased to its lowest for six months amid some reports of constrained pricing power.

The seasonally adjusted final S&P Global UK Services PMI® Business Activity Index registered 53.1 in March, down from 53.8 in February. The latest reading was comfortably above the neutral 50.0 threshold, but lower than the earlier 'flash' figure (53.4) and signalled the slowest rate of business activity expansion since November 2023.

Total new work increased moderately in March, although the rate of growth slipped to a four-month low and remained softer than the long-run survey average. Service providers typically commented on resilient business and consumer spending, despite headwinds from elevated borrowing costs and squeezed client budgets. Mirroring the trend for total sales, latest data also signalled a slower upturn in export order books. Where growth was reported, this was often linked to rising demand in the US and major European markets.

Staffing numbers increased only marginally in March and the rate of job creation was the slowest seen so far in 2024. Those reporting a rise in employment mostly noted rising business requirements and confidence regarding the demand outlook. However, other service sector firms suggested that cost pressures and efforts to achieve efficiency gains had led to hiring freezes and the non-replacement of voluntary leavers.

The latest survey indicated that service providers had sufficient capacity to meet both new and existing workloads. This was signalled by a reduction in backlogs of work for the

Comment

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

"The recovery in service sector output lost a little bit of momentum during March, and more so than suggested by the flash PMI results, but the overall picture remains reasonably positive.

"Business activity has now expanded for five consecutive months, supported by sustained improvements in new order intakes. The solid growth rate achieved in March reinforces the view that a rebound in service sector performance is helping the UK economy to pull out of last year's shallow recession.

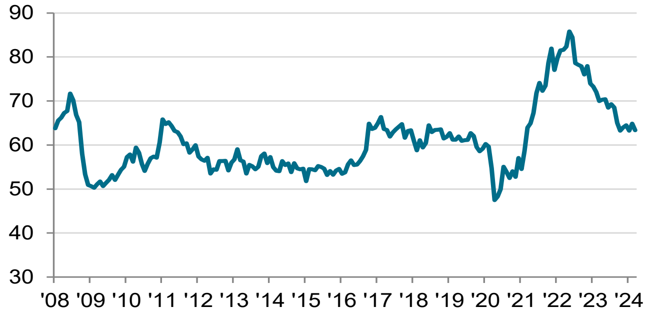
"Survey respondents once again commented on a turnaround in business and consumer spending, despite constraints on clients' budgets from strong inflation and elevated borrowing costs.

"Input prices continued to rise sharply across the service economy in March, with the rate of inflation only factionally below its average over the past six months. Higher salary payments were the main reason cited as driving up input costs, as well as greater transportation bills.

"Prices charged by service providers increased at the slowest pace since September 2023. However, this index has only edged downwards since last summer and it remains well above the long-run trend, therefore adding to signs of sticky inflationary pressures in the domestic economy so far this year."

UK Services PMI Input Prices Index

sa, >50 = inflation since previous month



Source: S&P Global PMI.

tenth consecutive month in March. That said, the rate of decline was only marginal and the joint-slowest since June 2023.

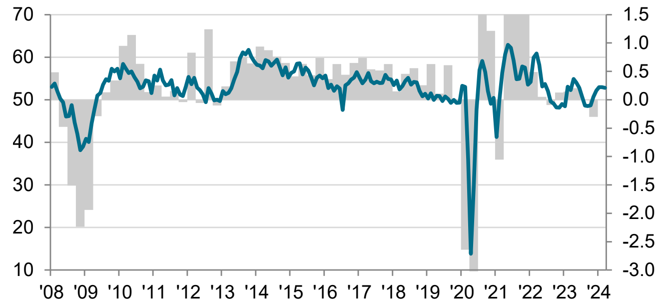
Strong input price inflation continued in March. Around 29% of the survey panel reported an increase in their average cost burdens, while only 2% signalled a reduction. The rate of input cost inflation has broadly held steady over the past six months and remained well above its pre-pandemic trend. Higher input prices were mostly linked to rising salary payments in March, alongside increased fuel and transportation costs.

Higher input costs were passed on to clients at a robust pace in March, although the latest round of prices charged inflation was the least marked since September 2023. Around 21% of service sector firms reported a rise in their output prices in March, while 5% noted a reduction. There were some reports suggesting that competitive pressures and the need to stimulate demand had weighed on prices charged inflation.

Latest survey data highlighted a strong degree of positive sentiment regarding the year ahead outlook for business activity. Just over half of the survey panel forecast a rise in their output levels over this period, while only one-in-ten predict a decline. The degree of business optimism eased slightly since the previous month, but was higher than at any other time since February 2022. Anecdotal evidence cited stronger sales pipelines and improving economic conditions, but some firms noted concerns about political uncertainty and greater hesitancy among clients.

S&P Global UK Composite PMI®

Broad-based increase in UK private sector output



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.

At 52.8 in March, the seasonally adjusted S&P Global UK PMI Composite Output Index* eased slightly from February's nine-month high of 53.0 but remained indicative of a solid upturn in private sector business activity. Moreover, output growth broadened out from the service economy to the manufacturing sector in March. The rise in manufacturing production was the first since February 2023.

March data also pointed to a broad-based rise in new business volumes, albeit with service providers recording a much faster rate of expansion than good producers. Private sector employment continued to hold steady, with marginal job creation in the service economy offset by sustained cutbacks in manufacturing payroll numbers.

Strong input cost pressures persisted in March, especially in the service sector, largely due to higher wages. However, the overall rate of input cost inflation eased from February's six-month high. Latest data also signalled a softer rate of prices charged inflation, led by a slowdown in the service economy.

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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.

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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.
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Flash vs. final data

Flash services data were calculated from 76% 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).

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