

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

## UK services activity growth accelerates in July

Demand for UK services rises at fastest pace since May 2023

Business confidence rebounds to five-month high

Price pressures remain strong

Latest PMI<sup>®</sup> survey data from S&P Global showed a further expansion in business activity across the UK's service sector, with growth accelerating slightly since June.

Supporting higher output at service providers was the strongest upturn in demand since May 2023. Greater new business wins were also secured in overseas markets. Employment in the UK service sector rose at the fastest pace in over a year, while business confidence rebounded from June's recent low.

As for prices, July survey data revealed further stubbornness as both input costs and output charges rose at historically elevated rates. That said, they were both among their weakest seen over the past three-and-a-half years.

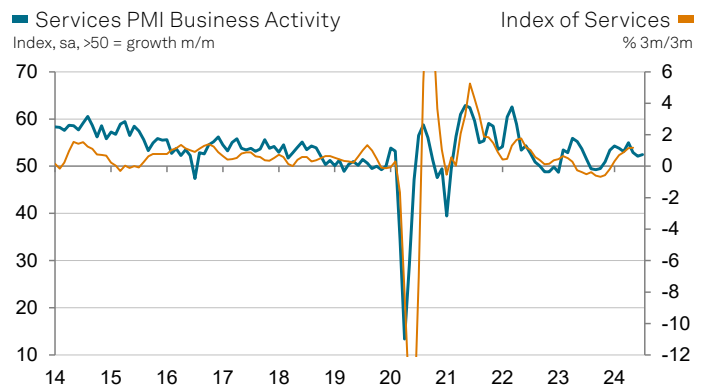
The seasonally adjusted S&P Global UK Services PMI<sup>®</sup> Business Activity Index posted 52.5 in July, a slight increase from June's 52.1. This therefore signalled a modest but accelerated pace of expansion in output levels across the UK's service sector. This also marked the first time since April that growth has accelerated.

Where activity was reported to have risen, firms often linked this with higher sales volumes. Indeed, July survey data signalled a strong and quicker expansion in new business intakes across the UK service sector. Generally stronger demand conditions were evident in qualitative data, with new customers wins and an influx of new contracts noted by panellists. The overall improvement in sales was the strongest since May last year.

Overseas markets were also a source of sales growth for UK services companies in July. Firms received greater new business from customers in Europe, North America and Asia, according to anecdotal evidence. The increase in new export orders was notable in the context of historical data.

With demand ramping up, UK services companies raised employment further in July, extending the current period of job creation seen in each month of 2024 so far. Workforce growth also quickened, to the strongest last June.

Nevertheless, despite an expansion in new business that outpaced the concurrent rise in activity, backlogs of work



Data compiled 11-29 July 2024.

Sources: S&P Global PMI, ONS via S&P Global Market Intelligence. © 2024 S&P Global.

### Comment

Joe Hayes, Principal Economist at S&P Global Market Intelligence

"With the general election period coming to an end at the start of July, survey data for last month showed the UK service sector enjoyed a modest rebound after a fairly subdued end to Q2. The Business Activity Index crept up only slightly, but the New Business Index jumped by over three points to its highest level in 14 months as firms reported an influx of new clients and contracts.

"July's accelerated expansion in sales activity crucially suggests business and consumer confidence has improved, and albeit only one month into the second half of 2024, the latest survey results bode well for a reasonable GDP growth print in Q3.

"Still, there continues to be sluggish progress on inflation. The positive takeaway is that price pressures, both regarding input costs and output prices, are at their lowest since early 2021. The concern, however, will be that the respective PMIs are still well above their pre-pandemic trends, and these are the benchmarks for the Bank of England to hit before claiming the fight against inflation is over."

were depleted for a fourteenth month in a row at the start of the third quarter.

Meanwhile, the latest survey data indicated stubbornly high price pressures across the UK services economy, with increases in input costs and output prices remaining well above their respective pre-pandemic averages. Operating expenses were pushed higher by transportation, IT, wages and supplier fees, according to panellists. However, rates of inflation for input prices and output charges were among the softest seen in around three-and-a-half years.

There was a noteworthy uptick in business confidence in July, with the Future Activity Index rebounding from June's recent low to a five-month high. The ending of the 2024 General Election period was partially a factor, with greater certainty around domestic politics generating optimism. Workforce

## S&P Global UK Composite PMI®

### Private sector business activity rises solidly in July

The seasonally adjusted S&P Global UK PMI Composite Output Index picked up slightly at the start of the third quarter, rising from 52.3 in June to 52.8 in July. This signalled a moderate and slightly faster expansion in private sector economic activity.

Supporting stronger output growth was an accelerated improvement in demand — the fastest since April 2023. Exports contributed positively. The rate of job creation quickened to a 13-month high, while backlogs of work fell further.

Input costs rose sharply and to the most marked degree in three months. That said, output charges rose at a slower pace.

## 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.

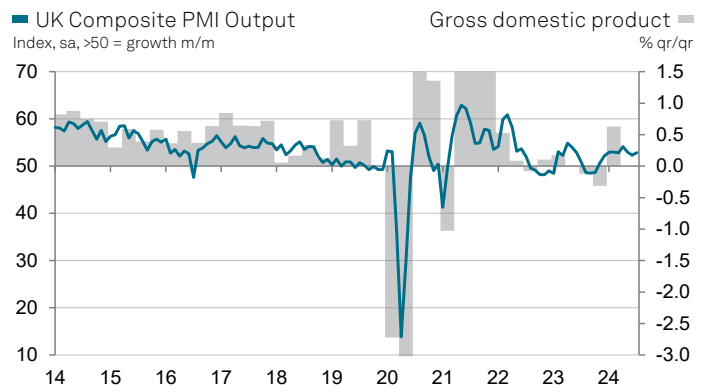
Flash services data were calculated from 81% of final responses. Since January 2006 the average difference between final and flash Services Business Activity Index values is 0.2 (0.7 in absolute terms).

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).

## PMI by S&P Global

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)



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