News Release
Embargoed until 0930 BST (0830 UTC) 4 September 2024

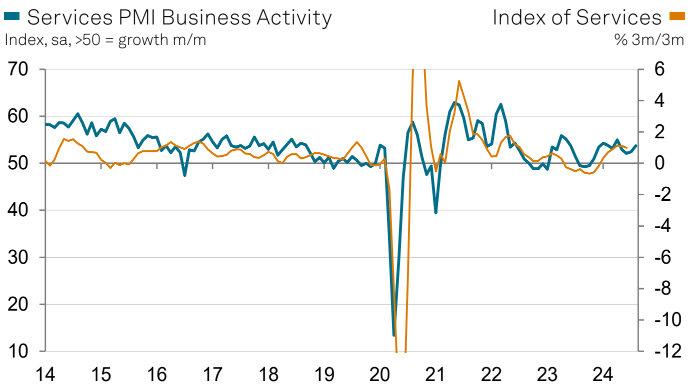
S&P Global UK Services PMI®

UK service sector recovery gains momentum

Business activity growth accelerates again

Robust rise in new work led by improving domestic demand

Slowest rate of prices charged inflation for three-and-a-half years



Data compiled 12-28 August 2024.

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

PMI® survey data from S&P Global illustrated that the post-election upturn in business activity and new work was sustained in August. This was accompanied by easing inflationary pressures across the service economy.

The headline seasonally adjusted S&P Global UK Services PMI® Business Activity Index registered 53.7 in August, up from 52.5 in July and above the neutral 50.0 threshold for the tenth consecutive month. Business activity growth has now rebounded to its highest since April. Although indicative of a solid upturn in service sector output, the latest reading was still slightly below the long-run survey average (54.4).

Survey respondents typically linked rising business activity to the improving economic backdrop and an associated rise in willingness-to-spend. Some firms also suggested that the prospect of falling borrowing costs had helped to support business and consumer sentiment. There were nonetheless still a number of reports citing pressure on disposable incomes as a factor holding back customer demand.

Total new business growth was only fractionally lower than the 14-month high seen in July, thereby signalling a strong recovery in demand conditions after the soft patch in the run up to the general election. Service providers often noted that reduced political uncertainty had helped to boost spending among clients, following a period of delayed decision-making at the start of the summer.

Export sales were relatively subdued in August. Latest data signalled only a marginal rise in new work from abroad and the rate of expansion slowest to its weakest since October 2023. Brexit-related trade difficulties were again cited as holding back sales to EU clients. Those reporting export order book growth often commented on demand from North America and emerging markets.

Service sector firms recorded another marked reduction in backlogs of work during August, reflecting ongoing efforts to boost business capacity and process unfinished orders. The latest decline in backlogs was the sharpest for 12 months.

Employment numbers increased for the eighth consecutive month in August. This was attributed to rising workloads

Comment

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

"August data highlighted a recovery in UK service sector performance as improving economic conditions and domestic political stability helped to bolster customer demand. New business again increased at a robust pace after a lull in decision-making earlier this summer. This fuelled the fastest upturn in service sector activity since April and extended the current period of growth to ten months.

"Service providers responded to the upturn in business conditions by hiring additional staff in August. Job creation remained faster than seen on average in the first half of 2024, despite headwinds from scarce candidate availability and elevated wage pressures.

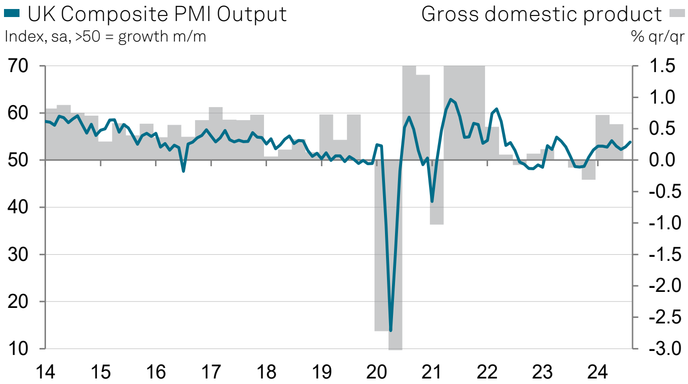
"Higher salary payments resulted in another sharp rise in cost burdens across the service economy. However, the overall rate of input price inflation resumed its recent descent in August and reached its lowest since January 2021. Adding to meaningful signs of softer inflationary pressures in the service sector, the latest survey indicated that average prices charged increased at the weakest pace for three-and-a-half years.

"The modest post-election bounce in business activity expectations faded, however, in August. Hopes of interest rate cuts and steady improvements in broader economic conditions helped to support confidence, but some firms cited concerns about policy uncertainty in the run up to the Autumn Budget."

and long-term expansion plans. However, service providers continued to note that a lack of suitable candidates to fill vacancies had made it difficult to replace departing staff.

Strong wage pressures were by far the most commonly cited reason for rising input prices across the service sector in August, while some also commented on higher shipping costs. The overall rate of input cost inflation nonetheless eased to its slowest since January 2021. At the same time, prices charged inflation across the service sector dropped to a three-and-a-half year low.

Finally, business activity expectations for the year ahead remained upbeat, but the degree of confidence moderated since July. While survey respondents mostly cited a favourable economic outlook, some commented on elevated business uncertainty ahead of the Autumn Budget.



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

S&P Global UK Composite PMI®

Private sector output growth gains momentum

At 53.8 in August, up from 52.8 in July, the seasonally adjusted S&P Global UK PMI Composite Output Index signalled a solid expansion of private sector business activity. Moreover, the latest reading pointed to the fastest pace of growth since April. Higher levels of output were seen in both the manufacturing and service sectors.

August data also revealed a sustained upturn in private sector employment, supported by additional hiring in both manufacturing and services.

Inflationary pressures meanwhile cooled in August, with private sector firms indicating the weakest rise in input costs since November 2020.

Contact

Tim Moore
Economics Director
S&P Global Market Intelligence
T: +44 1491 461067
tim.moore@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 (0) 7967 447030
sabrina.mayeen@spglobal.com

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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 80% 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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S&P Global

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