News Release
Embargoed until 0930 GMT (0930 UTC) 6 January 2025

S&P Global UK Services PMI®

Fastest rate of job shedding for nearly four years

Employment declines for the third month in a row

Marginal increase in business activity

Input cost inflation accelerates to an eight-month high

December data from the S&P Global UK Services PMI® indicated a subdued end to 2024. Weak demand and higher payroll costs led to the steepest decline in service sector employment since January 2021.

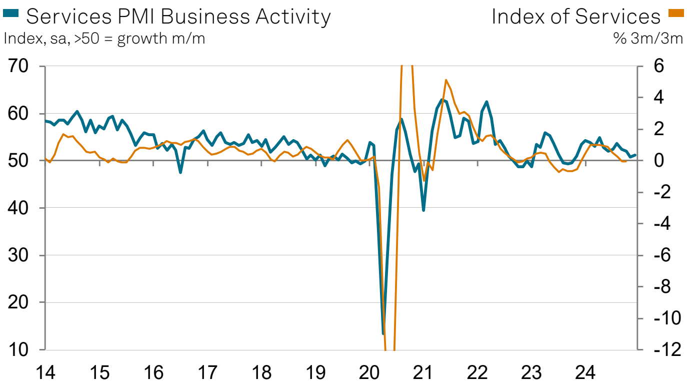
Meanwhile, survey respondents were still cautious about the outlook for business activity in 2025. The degree of positive sentiment regarding growth prospects during the year ahead was unchanged from the 23-month low recorded in November. Service providers widely commented on concerns about cutbacks to business and consumer spending, alongside the impact of rising employers' National Insurance contributions.

At 51.1 in December, the headline seasonally adjusted S&P Global UK Services PMI® Business Activity Index was up slightly from 50.8 in November and above the neutral 50.0 value for the fourteenth consecutive month. However, the latest reading signalled only a marginal expansion of business activity. Moreover, on average in the final quarter of 2024, the index was the lowest for one year.

Subdued sales pipelines continued to hold back business activity growth in December. The latest survey indicated that total new orders were close to stagnation across the service economy. The respective index was the lowest since October 2023 and pointed to only a fractional increase in total new work. Anecdotal evidence typically cited falling confidence among clients in the wake of the Autumn Budget, especially due to forthcoming increases in employers' National Insurance contributions. Where new business growth was reported, this was often linked to resilient demand for technology services.

Lacklustre domestic and overseas economic conditions were commonly cited as weighing on customer demand. As a result, new export sales decreased for the first time since September 2023. Survey respondents commonly reported lower orders from EU clients, while some noted a boost from strong demand in US markets.

Employment was a weak spot for the service sector at the end of 2024. Lower staffing numbers have been recorded in each of the past three months and the latest reduction was the fastest since January 2021. Nearly twice as many survey respondents (23%) reported a fall in workforce levels



Data compiled 05-19 December 2024.

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

Comment

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

"The service sector ended last year with only a marginal upturn in business activity and a near-stalling of incoming new work. Survey respondents suggested that falling business and consumer confidence, largely due to worries about domestic economic prospects in 2025, had led to a considerable loss of growth momentum. While most parts of the UK service economy noted weak demand and cutbacks to client budgets, there remained pockets of strong growth in areas such as technology services.

"A post-Budget slump in business optimism persisted in December, with output growth expectations for the year ahead unchanged from November's 23-month low. Concerns about the impact of rising payroll costs, alongside a general unease about the climate for business investment, were reported as the main factors weighing on prospects for growth in 2025.

"Rising input price inflation added to the gloomy near-term outlook for service providers, with overall cost pressures reaching an eight-month high in December. Prices charged inflation meanwhile intensified at the end of last year and remained well in excess of pre-pandemic trends.

"Faced with subdued demand conditions and hikes to employment costs, many service providers opted to curtail their staff hiring and delay backfilling roles in December. Nearly one-in-four survey respondents saw an overall decline in their payroll numbers. Excluding the pandemic, this represented the steepest pace of job shedding for more than 15 years."

PMI®
by S&P Global

© 2025 S&P Global

as those that signalled a rise (12%). Service providers widely commented on hiring freezes and the non-replacement of leavers due to rising payroll costs.

Constrained recruitment plans, tight budget setting among clients, and worries about the broader UK economic outlook all contributed to subdued business optimism in December. The degree of positive sentiment was the joint-lowest for two years (equalling that seen in November).

Some firms suggested that rising cost inflation had dampened the growth outlook. The latest increase in input prices was the fastest since April 2024. Efforts to pass on higher salary payments and raw material costs led to a robust rise in prices charged across the service sector. The rate of inflation hit a six-month high in December and remained well above the pre-pandemic average.

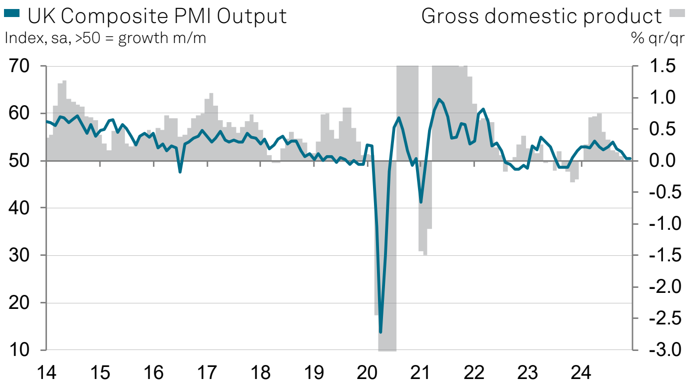
S&P Global UK Composite PMI®

New business declined for the first time since November 2023.

Moreover, the seasonally adjusted S&P Global UK PMI Composite Output Index posted 50.4 in December, down from 50.5 in November and the lowest reading since October 2023. Weaker private sector output growth has now been recorded for four months in a row.

December data indicated a marginal reduction in new order volumes, thereby ending a 12-month period of expansion. Subdued demand and rising payroll costs meanwhile contributed to the sharpest fall in private sector employment since January 2021.

Overall cost pressures were the highest since April. This led to a robust and accelerated rise in prices charged by UK private sector companies at the end of 2024.



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

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

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, click here.

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.

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

S&P Global

S&P Global (NYSE: SPGI) provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today. www.spglobal.com

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("Data") contained herein, any errors, inaccuracies, omissions or delays in the Data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and PMI® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.

© 2025 S&P Global