News Release

Embargoed until 0930 BST (0830 UTC) 05 April 2023

S&P Global / CIPS UK Services PMI®

Service sector growth underpinned by strongest rise in new business volumes since March 2022

Key findings

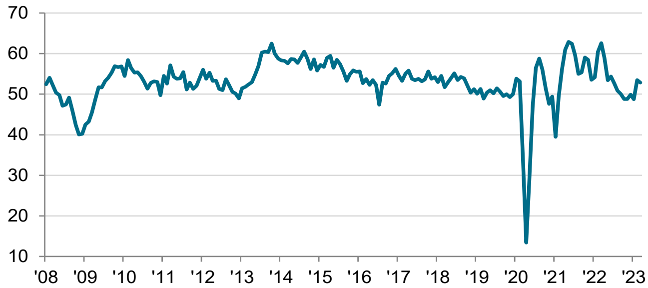
Business activity rises for second month running

Robust and accelerated increase in new orders

Higher wages lead to another month of strong cost inflation

S&P Global / CIPS UK Services Business Activity Index

sa, >50 = growth since previous month



Source: S&P Global, CIPS.
Data were collected 10-29 March 2023.

UK service providers reported a sustained expansion of business activity during March, following the swift return to growth seen in February. The recovery was cemented by the fastest increase in new order volumes for one year, which reflected greater confidence among clients in both domestic and international markets. Moreover, latest figures signalled the strongest rise in new export sales since data collection for this series began in September 2014.

Prices charged inflation eased to a 19-month low in March, but remained higher than at any time in the 25 years prior to August 2021. This mostly reflected efforts to pass on higher staff costs. Despite strong wage pressures, the latest round of input price inflation was the least marked since May 2021.

The headline seasonally adjusted S&P Global / CIPS UK Services PMI® Business Activity Index registered 52.9 in March, down from 53.5 in February but above the 50.0 no-change value for the second consecutive month. Moreover, the average reading for the first quarter of 2023 (51.7) signalled a turnaround in business activity after the marginal fall seen during the final three months of last year.

Higher levels of service sector output were typically attributed to rising business and consumer confidence, which led to another marked rise in new business intakes. The latest increase in total new orders was the strongest since March 2022.

Greater export sales were recorded for the fourth month in a row during March and the rate of expansion was the strongest for at least eight-and-a-half years. Survey respondents mostly noted robust improvements in demand from clients in the US and Europe. Some firms attributed the turnaround in export sales to a recovery in business travel and subsequent opportunities to boost sales in overseas markets.

March data pointed to only a marginal increase in employment numbers across the service economy. The pace of job creation remained much weaker than seen in the first half of 2022. Staff hiring often reflected new project starts and efforts to rebuild business capacity. However, there were many reports citing tight labour market conditions and strong wage pressures as factors that had limited recruitment numbers.

Sharply rising staff costs were often the main reason for increased business expenses during March, according to survey respondents. Elevated energy prices were also commonly cited by service sector companies, which was only partially offset by lower fuel and transportation bills. Measured overall, the latest increase in operating costs was the least marked for 22 months, but still exceptionally strong in comparison to historic norms.

Similarly, the latest survey indicated another round of steep prices charged inflation across the service economy. The latest rise was the softest since August 2021, but still stronger than at any other time since data collection began in the summer of 1996. Service providers noted that higher wages were passed on to clients, although some suggested that competitive pressures had moderated their pricing power in March.

Business expectations for the year ahead meanwhile improved for the fifth month in a row. The degree of positive sentiment regarding the outlook for business activity growth reached its highest level since March 2022. Anecdotal evidence from survey respondents indicated that positive sales pipelines and signs of an ongoing recovery in client demand had boosted business sentiment in March. However, some cited concerns about elevated interest rates and the long-term impact of higher corporate tax burdens.

Comment

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

"March data confirmed that the UK service sector returned to growth during the first quarter of 2023, supported by a sustained rebound in new orders as business and consumer confidence improved from the lows seen last autumn.

"Export sales provided an additional boost to the service economy during March as the ongoing recovery in business travel and events helped to drive the fastest rise in new orders from abroad for at least eight-and-a-half years.

"Tight labour market conditions remained a constraint on business capacity across the service sector and fuelled another month of historically steep wage pressures. However, overall business expenses increased at the slowest pace since May 2021 as lower transport bills and falling commodity prices helped to offset rising staff costs.

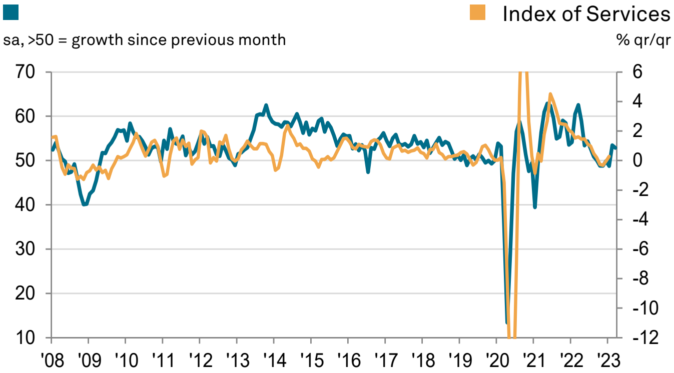
"Prices charged by service sector businesses increased at the weakest rate for 19 months in March, which provides a clear signal that competitive pressures and improved supply conditions will start to bring down headline rates of consumer price inflation in the coming months."

Dr John Glen, Chief Economist, Chartered Institute of Procurement and Supply (CIPS):

"The biggest surge in new business for 12 months in the dominant services sector could trigger hopes that a turnaround is finally on the horizon for the UK economy. Underlined by the continuing upward trend from last month's robust levels of overall activity and March's strong business optimism amongst respondents also had a positive effect.

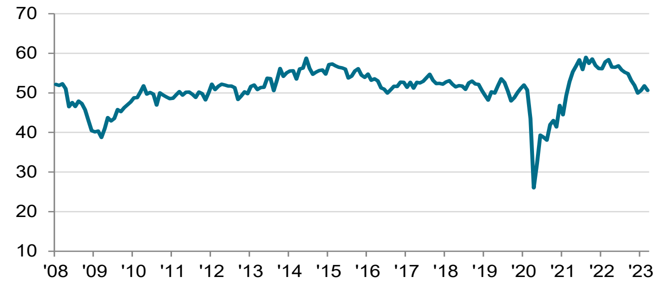
"Consumer confidence improved adding to levels of orders on the domestic front, while the highest rise in exports since September 2014 added another cheerful note.

"Not to put too much of a dampener on these upbeat results, the inflationary effects of higher input costs and prices charges remained significant. Salary rises were still one of the biggest costs to business along with supplies such as food and drink despite the weakest overall rise in input prices since May 2021. There are still concerns over a tight labour market, how interest rates affect borrowing and investment decisions plus rising debts with disposable incomes remaining restricted."



UK Services PMI Employment Index

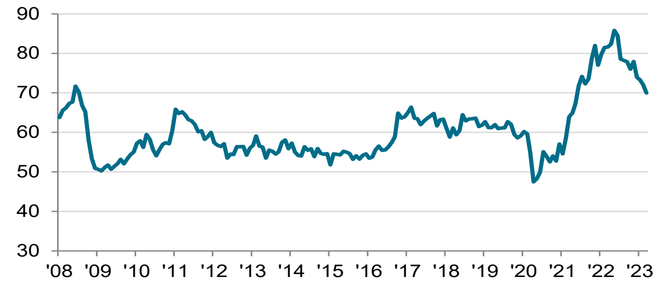
sa, >50 = growth since previous month



Sources: S&P Global, CIPS.

UK Services PMI Input Prices Index

sa, >50 = inflation since previous month



Sources: S&P Global, CIPS.

PMI® by S&P Global

CIPS

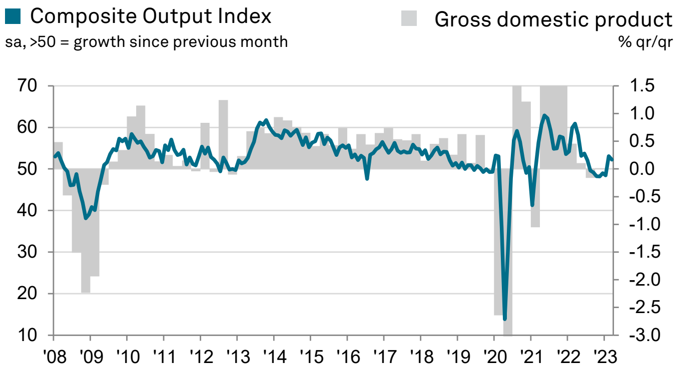
S&P Global / CIPS UK Composite PMI®

Slowest rise in input prices for just under two years in March

March data pointed to rising business activity across the UK private sector economy, while inflationary pressures continued to ease from the peaks seen in the first half of 2022. The latest increase in overall cost burdens was the slowest since April 2021, helped by much softer input price inflation in the manufacturing sector. Prices charged inflation was also the weakest for just under two years.

At 52.2 in March, the seasonally adjusted S&P Global / CIPS UK Composite PMI* was down from 53.1 in February but remained in expansion territory for the second consecutive month. This sustained rebound in private sector output contrasts with six months of marginal declines between August 2022 and January 2023.

Higher levels of business activity were seen in both the manufacturing and service sectors during March, supported by a turnaround in client demand. Measured overall, new business volumes increased at the fastest pace since April 2022.



Sources: S&P Global, CIPS, ONS.

Contact

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

Trudy Salandiak
Corporate Communications
CIPS
T: +44-1780-761576
trudy.salandiak@cips.org

*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.

Survey methodology

The S&P Global / CIPS 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@ihsmarkit.com.

Flash vs. final data

Flash services data were calculated from 83% 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).

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.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global 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.

About CIPS

The Chartered Institute of Procurement & Supply (CIPS) is the world's largest procurement and supply professional organisation. It is the worldwide centre of excellence on purchasing and supply management issues. CIPS has a global community of over 60,000 members in 150 countries, including senior business people, high-ranking civil servants and leading academics. The activities of procurement and supply chain professionals have a major impact on the profitability and efficiency of all types of organisation and CIPS offers corporate solutions packages to improve business profitability.
www.cips.org

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.
ihsmarkit.com/products/pmi.html.

PMI® by S&P Global

CIPS