

## News Release

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:30 (UK), 4 September 2013**

### Markit/CIPS UK Services PMI<sup>®</sup>

## UK service sector continues to grow at substantial pace in August

Data collected 12-28 August

#### Key Points:

- Activity rises at sharpest rate since December 2006
- New business growth strongest for over 16 years
- Greatest rise in backlogs since February 2000

#### Summary:

August's survey of UK service providers signalled continued strong growth of activity and new business. Activity rose at the sharpest pace since December 2006, while growth in new work was the best seen since May 1997.

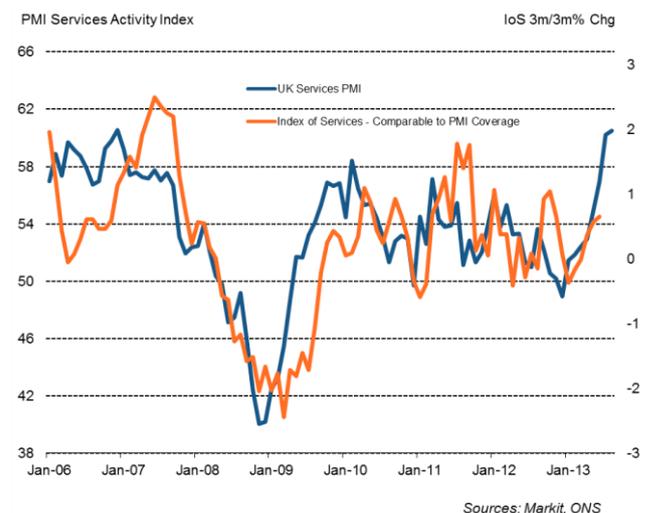
Capacity continued to be tested, with backlogs of work rising at the sharpest pace for over 13 years. However, employment broadly stagnated, in part due to an inability of service providers to replace leavers.

The headline seasonally adjusted Business Activity Index registered 60.5 in August. Improving on July's 60.2, the latest reading was the highest in over six-and-a-half years. Over a quarter of the survey panel registered an increase in activity.

Latest data showed that growth was principally supported by a rise in new business. There were many reports of an ongoing strengthening of market confidence which helped companies convert enquiries into hard contract wins. Marketing and an improvement in the housing market were also noted as reasons for higher sales volumes.

Growth of new business has now been recorded for eight successive months and the latest increase was the sharpest seen for over 16 years.

#### Sharp and accelerated increase of business activity<sup>1</sup>



An associated impact of the substantial rise in new work was higher levels of work outstanding. Latest data showed that backlogs rose for a fifth successive month. Growth was also the highest recorded since February 2000.

Capacity pressures were also reported to be the result of insufficient employee numbers. This led some companies to hire additional workers. A net increase in employment was recorded for an eighth month in a row, although the rate of growth was marginal during the latest survey period. A number of panellists attributed the slowdown to the non-replacement of leavers or cost considerations.

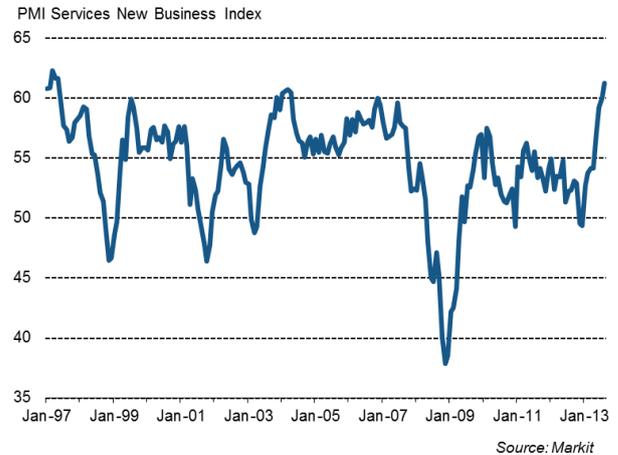
<sup>1</sup> ONS Index of Services (IoS) growth rates based on weighted data covering Accommodation & Food Services, Transport, Storage, Information & Communications Services, Finance, Real Estate, Professional, Admin & Support Services and Other Services.

On the price front, input price inflation was sustained during August, albeit at the slowest pace since May. High utility bills were frequently mentioned as a source of inflation, while several companies noted an increase in fuel prices. Wage and (where applicable) food bills were also higher.

A modest increase in output charges was recorded for the third successive month. While some companies sought to protect margins from rising input costs, competitive pressures and efforts to support sales weighed on output charge inflation.

Finally, UK service providers remain confident that activity will continue to grow over the coming year. Over 50% of respondents are forecasting business expansion, with the recent upturns in market confidence and activity supporting the positive outlook.

### New work rises at sharpest rate since May 1997



#### Comment:

**Paul Smith, Senior Economist at survey compilers Markit:**

*“The UK service sector turned in another stellar performance in August, building on the growth momentum seen during July.*

*“Moreover, the sector’s recovery, which has been evident since the start of the year, has legs.*

*“New business increased in August at the sharpest rate for over 16 years, and more than 50% of panellists are forecasting a rise in activity from present levels during the coming months.*

*“With sister surveys for construction and manufacturing also signalling the continuation of substantial growth, the UK is well on course to register a strengthening of GDP growth over Q3 as a whole following the 0.7% q/q increase in Q2.*

*“Perhaps the only disappointment for August was little change in employment.*

*“However, if activity and sales can maintain their current growth velocities, then higher payrolls and, just as important for many workers, increased wages, should hopefully follow suit.”*

**David Noble, Chief Executive Officer at the Chartered Institute of Purchasing & Supply:**

*“Optimism abounds as the UK services sector, combined with manufacturing and construction, completes a glowing picture for the UK economy. Service providers reported the fastest growth since December 2006 and the sharpest rise of new business for over 16 years. As a result, confidence remains high, providing a platform for investment and expansion for the rest of the year.*

*“In contrast, employment was a little stilted, but burgeoning order books and the sharpest rise in backlogs since February 2000 means this should be of little immediate concern for an indicator which tends to lag, and we expect staff numbers to improve by the end of the year.*

*“Input costs have continued to climb in August, and firms sought to offset these with their own price increases reflecting positive business expectations and market optimism. Based on this set of data, we are anticipating the current sequence of UK service sector expansion to be extended over the coming months.”*

**The September Report on Services will be published on Thursday 3<sup>rd</sup> October 2013 at 09:30**

**-Ends-**

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### Notes to Editors:

Where appropriate, please refer to the survey as the Markit/CIPS UK Services PMI®.

The Markit/CIPS UK Services PMI covers transport & communication, financial intermediation, business services, personal services, computing & IT and hotels & restaurants.

Each response received is weighted each month according to the size of the company to which the questionnaire refers and the contribution to total service sector output accounted for by the sub-sector to which that company belongs. This therefore ensures that replies from larger companies have a greater impact on the final index numbers than replies from small companies.

The results are presented by question asked, showing the percentage of respondents reporting an improvement, deterioration or no change on the previous month. From these percentages an index is derived such that a level of 50.0 signals no change on the previous month. Above 50.0 signals an increase (or improvement), below 50.0 a decrease (or deterioration). The greater the divergence from 50.0, the greater the rate of change signalled.

The indexes are calculated by assigning weights to the percentages: the percentage of respondents reporting an "improvement/increase" are given a weight of 1.0, the percentage reporting "no change" are given a weight of 0.5 and the percentage reporting a "deterioration/decrease" are given a weight of 0.0. Thus, if 100% of the survey panel report an "increase", the index would read 100. If 100% reported "no change" the index would read 50 (100 x 0.5), and so on.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact [economics@markit.com](mailto:economics@markit.com).

#### About Markit

Markit is a leading, global financial information services company with over 3,000 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information please see [www.markit.com](http://www.markit.com)

#### About PMIs

*Purchasing Managers' Index*® (PMI®) surveys are now available for 32 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. To learn more go to [www.markit.com/economics](http://www.markit.com/economics).

#### About CIPS

The Chartered Institute of Purchasing & 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 100,000 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.

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