

## News Release

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

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

## Service sector growth sustained at considerable pace

**Data collected 12-27 November**

#### Key Points:

- Activity and new business both continue to rise at historically sharp rates
- Service providers add extra staff to payrolls
- Faster rises in prices recorded

#### Summary:

The UK service sector maintained its recent run of strong growth during November as incoming new business continued to rise at a rapid pace. Capacity remained under pressure and companies took on extra staff to help service rising workloads.

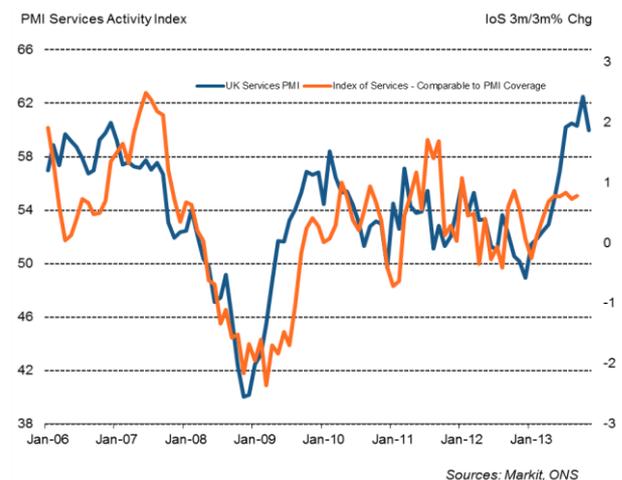
There were also signs of price pressures beginning to build. Input cost inflation hit a nine-month high, while output charges rose to the most marked degree since May 2011.

After accounting for seasonal factors, the Business Activity Index recorded a level of 60.0 in November. Although a five-month low, and down from October's multi-year high of 62.5, the index again signalled a historically sharp rate of growth. Nearly 28% of panellists indicated a rise in activity, and growth has been recorded continuously through 2013 to date.

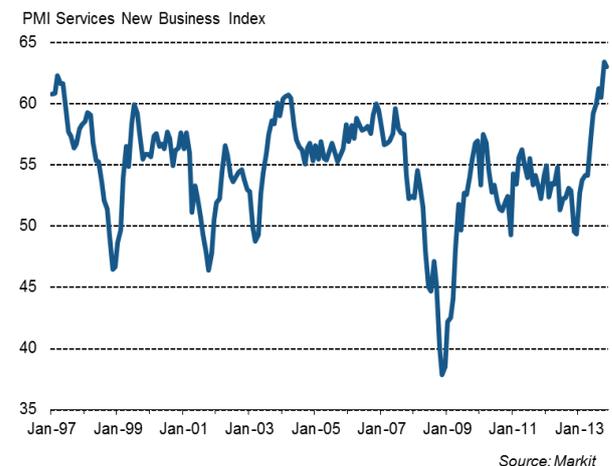
Supporting activity levels in November was another sharp increase in new business. Growth was only fractionally down on October's survey record high amid reports of strengthened demand and rising client confidence. Promotional activities and a pick-up in the housing market were also reported to be factors underpinning growth.

The continuation of further sharp growth of new work placed further pressure on company capacity levels. Backlogs of work increased for an eighth successive month and at a historically steep pace.

#### Sharp increase in business activity<sup>1</sup>



#### Near record increase in new business



<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.

In some instances, companies reported that a lack of staff had driven backlogs up during the month. A number responded by adding to their staffing levels at a marked pace (albeit a rate slower than October's high). Although in the majority of cases staff were taken on to service current workloads, a number of respondents noted that workers were recruited in line with positive expectations for activity and demand.

Latest data showed that business confidence strengthened slightly during November, but remained below its long-run average. The recent strengthening of the UK economy bolstered sentiment, and companies are forecasting subsequent rises in sales and revenues over the coming 12 months. Investment levels are forecast to increase, while firms also anticipate taking on more staff, launching new products and expanding into new territories.

Finally, on the price front, both costs and output charges increased at stronger rates. Amid reports of higher prices paid for utilities (especially energy) and increased wages, total operating costs rose at the sharpest pace since February.

Around 10% of the survey panel responded to higher input prices by raising their own charges.

#### Comment:

**Chris Williamson, Chief Economist at survey compilers Markit:**

*“Further buoyant growth of the services economy hands the Chancellor a further piece of good news ahead of the Autumn Statement. Although signalling an easing in the rate of growth in November, the PMI survey of the services economy continues to signal an impressively strong pace of expansion and one of the best performances for the sector we've seen since data were first collected in 1996.*

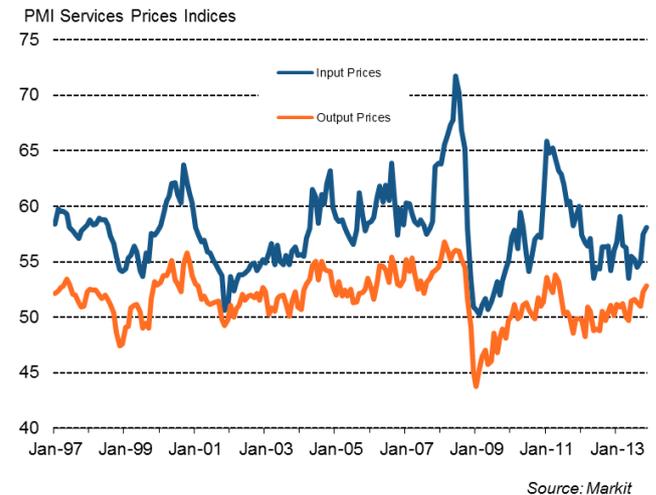
*“When looked at alongside the upturns in the buoyant manufacturing and construction sectors, the three PMI surveys indicate that the pace of economic growth will have accelerated in the fourth quarter, rising to above 1.0%.*

*“Job creation is also surging as companies report increasingly buoyant demand. Rising employment will help sustain the upturn through improved consumer confidence and spending.*

*“There's also scope for growth to pick up again in December. Measured across all three sectors, inflows of new business hit a record high in*

Inflation has now been recorded for six months and the degree to which output prices rose in November was the sharpest recorded by the survey for two-and-a-half years.

#### Price pressures intensify in November



*November, with demand surging from both consumer and corporate customers.”*

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

*“Performance and new business for UK services continued to improve at historically high rates in November, upholding the strong run of growth seen through-out the second half of 2013. With positive prospects of market expansion, new product launches and a buoyant economic environment, alongside improvement in the housing market, businesses are confident that the current upturn will be prolonged into the New Year.*

*“Combined with strengthened demand and a surge in new orders, backlogs of work rose steadily for an eighth successive month. As a result of this and in anticipation of growing investment and expansion in 2014, firms sought to boost their staffing levels, though weren't able to do so as quickly as they might have liked.*

*“Input costs continued to climb in November which, with increasing wages, placed pressure on operating costs. In response, UK services*

*companies have continued to raise their own prices, with inflation reaching the sharpest rate since May 2011. Notably, price and supply chain pressures will be something to watch in the coming months but for now, we can be merry that services*

*will continue to deliver growth heading into the festive period."*

**The December Report on Services will be published on Monday 6<sup>th</sup> January 2014 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<sup>®</sup>.

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**

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*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**

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