

## News Release

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:30 (UK), 5 March 2014**

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

## UK service sector continues to expand strongly in February

Data collected 12-26 February

#### Key Points:

- Activity and new business growth rates remain sharp
- Employment growth strongest in four months
- Confidence in outlook highest since September 2009

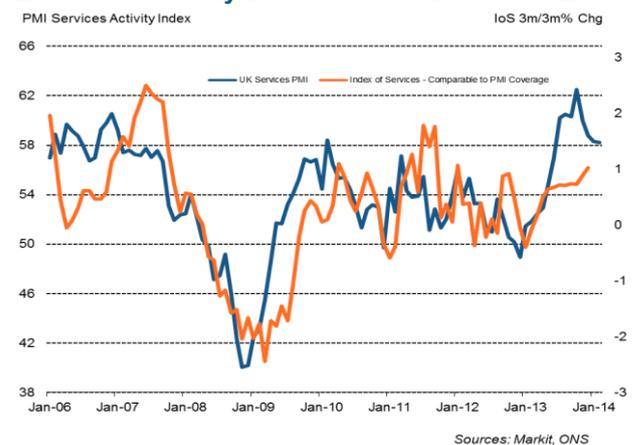
#### Summary:

UK service sector activity continued to rise at a healthy pace during February, supported by another marked increase in new business. Capacity remained under pressure, with backlogs up sharply and employment subsequently raised to the greatest degree since last October. Confidence in the outlook strengthened to the highest for nearly four-and-a-half years.

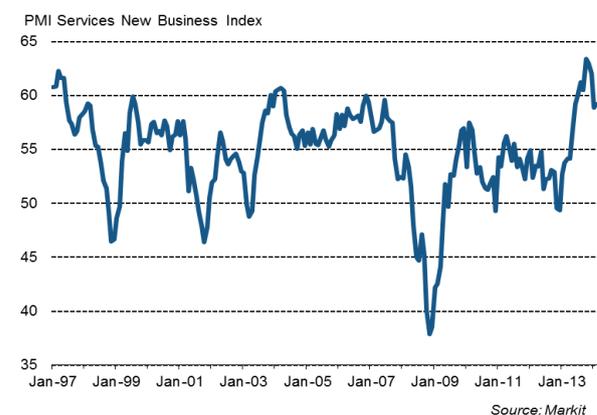
After accounting for seasonal factors, the headline Business Activity Index recorded 58.2 during February. That was the lowest reading since last June, though little changed on January's 58.3 and indicative of a sharp rise in activity on a monthly basis.

Growth has now been recorded for 14 months and the latest increase in service sector output was supported by another marked rise of incoming new business. There were reports from panellists of clients becoming increasingly confident about the economic recovery. Enquiries were subsequently converted into hard business wins, and some respondents again noted that the housing market remained a source of growth. Despite reports that adverse weather in some parts of the UK had disrupted activity, others noted that the relatively mild winter had provided a support to growth.

#### Business Activity Index lowest since June 2013<sup>1</sup>



#### Incoming new business volumes rise at firmer pace in February



<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.

As incoming new work continued to rise at a marked pace, capacity remained under pressure. The result was another noticeable increase in backlogs of work. Latest data marked the eleventh successive month that work outstanding has risen, with February's growth only slightly down on January's near 17-year peak.

Responding to increasingly stretched resources, nearly a fifth of panellists signalled a rise in staffing levels at their units. The result was another marked increase in service sector staffing levels as a whole (the sharpest since last October).

Staff were also recruited in line with ongoing confidence towards future activity. Business expectations improved for a fourth successive month to their highest level since September 2009 as around 54% of panellists recorded positive sentiment. Economic recovery was widely forecast to be sustained, and companies signalled plans to raise investment in areas such as marketing and general business expansion.

Finally, price pressures were relatively contained during February. Although input costs continued to increase, the degree of inflation was the lowest for six months as some panellists reported successful negotiations with vendors. Where costs rose, this was generally blamed on increased fuel, utility and wage bills.

Average output prices also continued to increase during February, but at a modest pace that was the weakest since last September.

#### Comment:

#### **Chris Williamson, Chief Economist at Markit, which compiles the survey:**

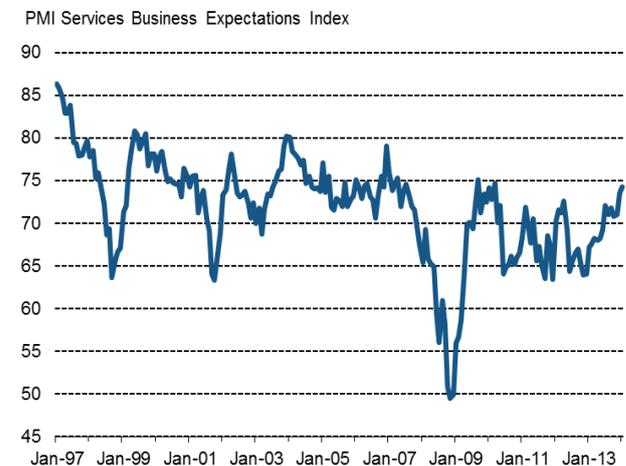
*"The services economy notched up yet another month of robust growth in February, a performance that is all the more remarkable given the weather-related disruptions that have hit many businesses.*

*"Sustained strong growth in the services sector means it remains the most important driver of the economic recovery. Alongside vibrant growth in manufacturing and construction, the upbeat picture of the services economy points to the country enjoying another quarter of robust economic growth of approximately 0.7%.*

*"Most encouraging of all is the record increase in job creation that the three PMI surveys collectively signalled in February.*

*"There's no end in sight to the good news: with business confidence in the services economy rising further in February, growth should pick up again in*

#### **Business confidence improves to highest level for nearly four-and-a-half years**



Source: Markit

*March, adding conviction to the growing consensus that the economy is set for its best year of growth since 2007, with the rate easily surpassing the 1.8% expansion seen last year."*

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

*"The UK service sector maintained the lengthening trend of consistent growth and all the signs are this is set to continue, with confidence at a four-and-a-half year high. New clients have underpinned this optimism giving firms the platform to invest in new projects and jobs. Coupled with strong manufacturing and construction results, it seems all the fundamentals are in place to deliver further economic growth cementing the economic recovery.*

*"The rising new business, on top of existing backlogs, does mean capacity continues to be tested. In response to this, businesses have*

*increased their staffing numbers at the sharpest rate since October's high.*

*"Despite input costs and wages continuing to escalate, February saw some easing on price pressures, thanks to the favourable strong currency and as firms were able to successfully negotiate*

*with suppliers. As a result of this, the rate of inflation was the lowest for six months; the changing price front will be something to watch going forwards."*

**The March Report on Services will be published on Thursday 3<sup>rd</sup> April 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®.

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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#### **About PMI**

*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. [www.cips.org](http://www.cips.org)

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