

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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Markit/CIPS UK Services PMI[®]

Strong growth of activity sustained as confidence in outlook remains high

Data collected 11-28 April

Key Points:

- Activity and new business both increase at sharp rates
- Employment up sharply in line with positive expectations for growth
- Cost inflation continues to weaken

Summary:

April saw another marked increase in UK service sector activity, with growth again supported by a sharp increase in volumes of incoming new work. Companies kept on top of workloads by adding to their payroll numbers, reflective in part of sustained confidence in the economic outlook.

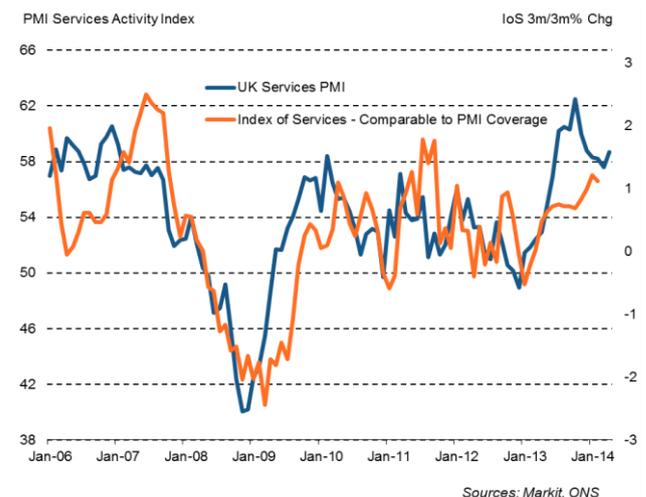
Meanwhile, cost pressures remained relatively subdued, with input prices rising to the weakest degree for 11 months. Output charges continued to increase at a modest pace.

After accounting for seasonal factors, the headline Business Activity Index recorded 58.7 in April. That was up from March's 57.6 and marked the sharpest increase in activity of 2014 so far. Growth has now been recorded for 16 straight months, and exactly a third of the survey panel signalled an increase in activity since March.

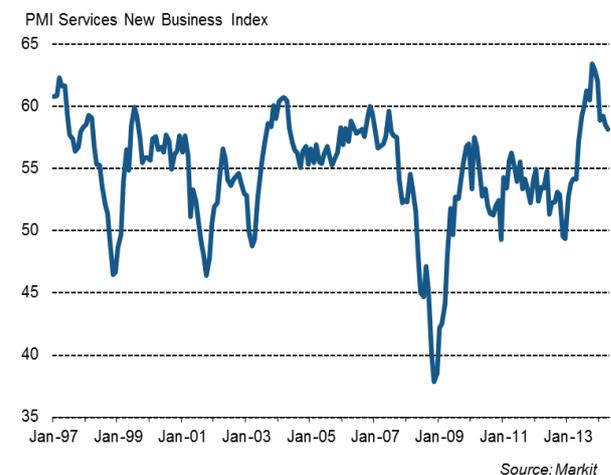
A key pillar of rising activity during April was higher new business. Despite slipping to an 11-month low, new work rose at a rate that remained historically sharp. Market activity was reportedly higher, with clients willing to commit to new contracts against the backdrop of an increasingly positive economic climate. There were reports that previous and current marketing campaigns were bearing some

fruit, while new product launches provided additional support to sales drives.

Stronger rise in activity during April



Incoming new business again up sharply



Despite the sustained strength in new business growth, companies were in the large able to keep on top of existing workloads. Backlogs of work increased for a thirteenth successive month, but at a marginal pace that was the weakest in the current period of expansion.

Additional capacity in part enabled relative stability in total workloads. Employment was increased for the sixteenth successive month and the rate of expansion was the sharpest seen since last October. Over a fifth of the survey panel recorded an increase in their payroll numbers.

Apart from dealing with increased workloads, additional staff were also recruited in anticipation of growth in the months ahead. With over 53% of the survey panel expecting to see an increase in activity over the coming 12 months, business confidence was only slightly lower than February's four-and-a-half year peak. Panellists widely expect recent growth to continue, with investment in infrastructure, new products and marketing all planned over the next year.

Price data indicated that input cost pressures continued to soften in April. Latest data showed input prices rose at the slowest pace in just under a year. Where costs were up, a number of respondents noted paying higher wages.

Finally, output charges continued to increase during April as some companies passed on higher costs to their clients. Although at a three-month high, inflation was still modest. Strong competition and ongoing efforts to stimulate sales reportedly weighed on pricing power.

Employment rises sharply in April



Source: Markit

Comment:

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

"The UK economic recovery shows no signs of running out of steam, and growth could even accelerate further in the second quarter."

"The upturn in service sector growth matches a similar acceleration to a near-record high for manufacturing output, while construction activity also continues to surge higher."

"These service sector numbers are especially important as, due to its sheer size, the sector is providing the main thrust behind the country's economic recovery this year."

"The April numbers point to the economy growing by at least 0.8% again in the second quarter and, with confidence about the future rising again in April, there's no end in sight for the current super-strong growth spell."

"The survey also brings news that private sector employment rose at a record pace in April, signalling 100,000 jobs being created each month."

"The strength of the PMI's output and employment readings suggest that the discussion among policymakers about when interest rates will need to start rising will heat up, especially when viewed alongside recent house price gains."

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

"Growth and momentum in UK services remained steadily bullish in April, as activity increased at the fastest rate this year. Most encouraging of all has been the increase in job creation since last October, a reflection of positive prospects of market expansion. With business confidence rising further in April, firms seem convinced that a long-term strong trend is set to continue."

"Owing to buoyant economic conditions, higher new business levels in April were leading the growth in activity. Alongside this, companies were also able to stay on top of outstanding business, with backlogs of work increasing at the weakest pace since March 2013."

“Since the start of the year cost inflation has also continued to soften, offering firms a platform for investment in new work and stimulating sales drives. All these signs, and in conjunction with

strong performances from the manufacturing and construction sectors, are confirmation of the strengthening of a broad-based recovery.”

The May Report on Services will be published on Wednesday 4th June 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.

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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.

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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