# News Release

**Purchasing Managers' Index®**
**MARKET SENSITIVE INFORMATION**
**EMBARGOED UNTIL 0930 (London / UTC) November 5th 2018**

# IHS Markit / CIPS UK Services PMI®

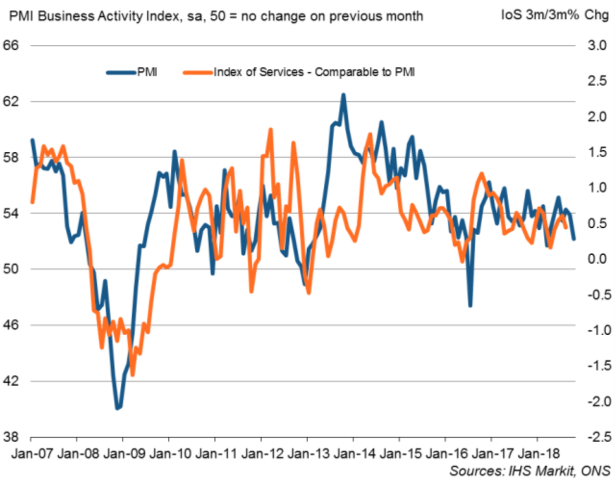
## Weakest expansion of service sector activity since March

**Key findings:**

- Moderate rise in business activity during October
- New work increases at slowest pace since July 2016
- Strong input cost inflation continues

Data collected October 12-29

**IHS Markit / CIPS UK Services PMI**



*Sources: IHS Markit, ONS*

UK service providers signalled another increase in business activity during October, but the rate of expansion eased to its weakest since the snow-related soft patch seen in March. The loss of momentum largely reflected more cautious spending patterns among clients, as highlighted by the weakest upturn in new work since July 2016.

Higher fuel bills and salary payments meanwhile contributed to the fastest rise in average cost burdens since June. Intense pressure on operating margins persisted in October, despite the rate of prices charged inflation picking up slightly from September's 15-month low.

The seasonally adjusted **IHS Markit/CIPS UK Services PMI® Business Activity Index** dropped to 52.2 in October from 53.9 in September, to signal the slowest rate of business activity expansion since March. The headline index has posted above the 50.0 no-change value in each of the past 27 months, but the latest reading was the second-lowest since July 2016. Survey respondents noted that heightened economic uncertainty and a soft patch for new work had held back business activity growth.

New business growth moderated for the third time in the past four months during October. Moreover, the latest rise in new work was only modest and the weakest recorded since July 2016. A number of firms noted that Brexit-related uncertainty and concerns about the global economic outlook had constrained demand growth for business services. Some survey respondents also commented on subdued consumer spending in October. Consumer-facing sectors such as hotels, restaurants and leisure reported the weakest performance.

Slower new business growth helped to alleviate pressures on operating capacity during October. This was highlighted by a reduction in backlogs of work for the first time since April. Meanwhile, a moderate rate of job creation continued across the service sector. Anecdotal evidence suggested that a lack of suitably skilled candidates to fill vacancies had held back employment growth.

October data pointed to another sharp increase in input prices, which was mainly linked to higher transport costs and rising staff wages. Survey respondents also cited increasing prices for items sourced from abroad, which was linked to the weak sterling exchange rate. Higher operating expenses led to the fastest rise in prices charged by service sector firms since June.

Looking ahead, the latest survey indicated a moderation in confidence about the outlook for business activity growth. The degree of positive sentiment about the year ahead was the weakest since July 2016. While some firms reported improved optimism on the basis that business investment and client confidence would likely pick up in response to clarity about Brexit outcomes, many others saw a deepening malaise due to Brexit-related disruptions and wider concerns about the general economic outlook.

## Comments

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

*"The disappointing server sector numbers bring mounting evidence that Brexit worries are taking an increasing toll on the economy. Combined with the manufacturing and construction surveys, the October services PMI points to the economy growing at a quarterly rate of just 0.2%, setting the scene for GDP growth to weaken sharply in the fourth quarter.*

*"However, while it is not surprising to see that Brexit uncertainties are increasingly undermining business activity at this stage of the negotiations, the survey responses also suggest that the economy is facing other headwinds, including a broader global slowdown, trade wars, heightened geopolitical uncertainty and tightening financial market conditions.*

*"It therefore remains unclear as to the extent to which Brexit worries are exacerbating or obfuscating a more broad-based slowing of the economy, which would have important implications for policymaking."*

**Duncan Brock**, **Group Director at the Chartered Institute of Procurement & Supply**, said:

*"A reluctance to commit was the message coming through loud and clear from service providers in October as the sector checked in with its worst performance since March and lowest optimism since July 2016.*

*"Many of the respondents attributed this poor performance and the biggest softening in new order growth since July 2016 to continuing ambiguity around the Brexit negotiations. There were also concerns over the weakness in the UK and global economies which affected client confidence and consumer spending.*

*"To add to these burdens, costs were also on the rise, fuelled by higher salary and energy prices. Skilled staff availability was thin on the ground though hiring continued. Businesses were forced to increase their own prices even amidst strong competition, and a squeeze on margins in the next few challenging months could put the brakes on hiring.*

*"Clarity around Brexit may turn this around but time is running out and this downward slide should be a wake-up call that progress must be made now."*

**– Ends –**

## For further information, please contact:


For data queries, please call:

**IHS Markit**
Joanna Vickers
Tel: +44 207 260 2234
Email: joanna.vickers@ihsmarkit.com

For industry comments, please call:

**CIPS**
Trudy Salandiak
Tel: +44 1780 761576
Email: trudy.salandiak@cips.org


## Note to Editors:

The November UK Services PMI will be published on Wednesday 5th December 2018 at 09:30 UK (09:30 UTC).

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

The IHS 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.

IHS 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 IHS Markit. Please contact economics@ihsmarkit.com.

**About IHS Markit (www.ihsmarkit.com)**

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.



**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. To learn more go to https://ihsmarkit.com/products/pmi.html.

**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 procurement and supply management issues. CIPS has a global community of 200,000 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