News Release

Embargoed until 0930 BST (0830 UTC) 3 October 2019

IHS MARKIT / CIPS UK SERVICES PMI®
INCLUDING IHS MARKIT UK ALL SECTOR PMI®

Service sector activity contracts in September

KEY FINDINGS

New and outstanding business both decline

Fastest rate of job shedding since August 2010

Weakest expectations for activity since July 2016

The latest IHS Markit / CIPS PMI® data for the UK service sector signalled a contraction in activity in September, and the biggest cut in employment in over nine years. With both new and outstanding business declining at the end of the third quarter, companies were the least optimistic of future growth of activity since July 2016 following the EU referendum.

The seasonally adjusted IHS Markit/CIPS UK Services PMI® Business Activity Index fell to 49.5 in September, from 50.6 in August, signalling a decline in service sector output. Though indicative of only a marginal rate of reduction, it was only the fifth time in over a decade that the headline index has fallen below the no-change threshold of 50.0.

The overall reduction in service sector output reflected lower volumes of both new and outstanding business. New contracts fell for the sixth time in 2019 so far, albeit only marginally, while backlogs declined for the twelfth successive month and at the fastest rate since January. Firms reported that heightened uncertainty around Brexit had led to the postponement of orders by clients.

The service sector labour market weakened notably in September. Jobs at service sector companies were cut for the first time in five months, and at the fastest rate since August 2010. Workforces fell at 19% of survey respondents, with most commenting on the non-replacement of leavers as opposed to compulsory redundancies.

The latest survey also provided evidence that international clients had switched business to other markets amid increased concerns around a potential no-deal Brexit. The volume of new export business received by UK service providers dropped at the fastest rate since March. Moreover, the month-on-month decline in the New Export Business Index was the largest observed since the series began in September 2014. New work from overseas has risen only twice in the past 13 months.

Business expectations weakened for the fourth month running in September, the most sustained slide in sentiment since the second half of 2015. The Future Activity Index remained above 50.0 but was the lowest since July 2016, and the second-lowest since March 2009.

Average input prices continued to rise sharply in September, with the rate of inflation remaining above the long-run survey average. Firms mentioned a range of sources of rising costs, including energy/fuel, salaries, food and the weakness of sterling. Cost pressures in the latest period were slightly above the trend since 2018, but weaker than in 2017.

The rate of inflation of prices charged by service providers continued to slow in September, pointing to stronger competition for sales amid weak demand. Charges rose the least since July 2016.
UK private sector output contracts at sharper rate in September

Composite Output Index
sa, +50 = growth since previous month

All Sector PMI indices are weighted averages of comparable manufacturing, construction and services PMI indices. Weights reflect the relative size of the manufacturing, construction and service sectors according to official GDP data.

The UK All Sector Output Index is a weighted average of the UK Manufacturing Output Index, the UK Total Construction Activity Index and the UK Services Business Activity Index. The Index fell to 48.8 in September, from 49.7 in August, indicating a second successive decline in total private sector output. This marked the first back-to-back contraction since the final two months of 2012. Moreover, the rate of decline accelerated since August, to the fastest since July 2016.

All three sectors registered lower output in September. Excluding July 2016, following the EU referendum, this was the first broad-based decline since April 2009. Construction recorded the steepest drop in activity, and services the weakest.

New business also declined across all three sectors in September, resulting in the second-steepest overall contraction since April 2009 (the strongest was in July 2016). Overall private sector new work has dropped in seven out of the first nine months of 2019.

UK private sector employment fell at the fastest pace since December 2009 in September. Jobs in manufacturing and construction fell at faster rates while services employment declined for the first time in five months, albeit marginally.

COMMENT

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

“A trio of grim reports on the economy means that the vast service sector has now joined manufacturing and construction in decline. Only the collapse in confidence immediately following the 2016 referendum has seen a steeper overall deterioration in the economy during the past decade, but September’s decline is all the more ominous, being the result of an insidious weakening of demand over the past year rather than a sudden shock.

“At current levels the surveys point to GDP falling by 0.1% in the third quarter which, coming on the heels of a decline in the second quarter, would mean the UK is facing a heightened risk of recession.

“Brexit-related concerns dominated the September survey responses, linked by companies to falling sales, cancelled and postponed projects, a lack of investment and job losses.

“While the early summer had seen resilient jobs growth, the surveys indicate that employment is now falling at the fastest rate since December 2009.

“The increasingly dire readings push the surveys further into territory that would normally be associated with policy stimulus from the Bank of England, suggesting a greater likelihood that the next move in interest rates will be a cut.”

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

“Momentum and optimism were in woefully short supply in September after many months of persistent uncertainty in 2019 pushed the Index below the no change mark. Deferred client orders and reduced consumer spending as a result of Brexit uncertainty and a slowing global economy meant hard-pressed businesses started to lose their battle against the hardest conditions for about a decade.

“There was no respite in the form of input costs which continued to rise relentlessly as fuel and food became more expensive along with wages as businesses made some hard decisions. Fewer firms were passing on costs to retain market share focusing on resources instead, and resulting in the biggest reduction in staffing levels since August 2010.

“An exhausted sector’s optimism faded away to July 2016 levels and new export orders fell at their fastest rate since March. Some respondents mentioned overseas customers were putting spending decisions on hold or choosing other European suppliers instead. In this last month before the Brexit deadline, there is little time or vision for a major turnaround in fortunes before the end of the year.”
**Methodology**

The IHS Markit / CIPS UK Services PMI® is compiled by IHS Markit from responses to questionnaires sent to a panel of around 650 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of ‘higher’ responses and half the percentage of ‘unchanged’ responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the ‘Services PMI®’ but is not comparable with the headline manufacturing PMI figure.

The All Sector Output Index is a weighted average of the Manufacturing Output Index, the Construction Total Activity Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing, construction and service sectors according to official GDP data.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

September data were collected 12-26 September 2019.

**Contact**

**IHS Markit**

Joanna Vickers
Corporate Communications
T: +44-207-260-2234
joanna.vickers@ihsmarkit.com

**CIPS**

Trudy Salandiak
Corporate Communications
T: +44-1780-761576
trudy.salandiak@cips.org

**About IHS Markit**

IHS Markit (NYSE: 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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2019 IHS Markit Ltd. All rights reserved.

**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 ihsmarkit.com/products/pmi.html.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, click [here](#).

**Disclaimer**

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit’s prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information (“Data”) contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers’ Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Market Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.