

Embargoed until 0930 BST (0830 UTC) 6 May 2021

## IHS Markit / CIPS UK Services PMI®

Including IHS Markit / CIPS UK Composite PMI®

# Business activity growth hits seven-and-a-half year high in April

### Key findings

Fastest rise in service sector output since October 2013

Job creation accelerates to five-and-a-half year peak

Input cost inflation intensifies during April

Data were collected 12-28 April 2021.

The performance of the UK service sector strengthened again during April, driven by sharp increases in business and consumer spending. Survey respondents widely attributed the improvement in demand to looser pandemic restrictions and high levels of optimism regarding the near-term economic outlook. Confidence in the sustainability of the recovery was also reflected in greater staff hiring, with employment growth accelerating to its fastest since October 2015.

Adjusted for seasonal influences, the headline IHS Markit/CIPS UK Services PMI® Business Activity Index registered 61.0 in April, up from 56.3 in March and the highest since October 2013. The final reading was also above the earlier 'flash' estimate for April (60.1).

Service providers noted that the roadmap for easing COVID-19 restrictions across the UK had been a key factor helping to boost activity. There was a direct boost to output from the reopening of some customer-facing parts of the economy in April, as well as a positive impact on the rest of the service sector due to improving business and consumer confidence.

New order volumes increased for the second month running in April and the rate of expansion was the steepest since December 2013. Service providers reported that the improved pandemic situation and strong optimism towards the UK economic outlook had led to a sharp rise in forward bookings and new projects starts.

Sales to overseas customers remained relatively subdued, largely reflecting tight restrictions on international travel and hesitancy among clients due to the pandemic. However,

IHS Markit / CIPS UK Services PMI Business Activity Index  
sa, >50 = growth since previous month



Sources: IHS Markit, CIPS.

latest data indicated a marginal overall rise in new work from abroad, which ended a 14-month period of decline. Companies reporting an increase in export orders mostly cited greater demand from clients in Asia and the United States.

Stronger demand encouraged a faster pace of job creation across the service sector in April. The latest survey pointed to the sharpest increase in employment for five-and-a-half years. Despite efforts to rebuild business capacity, backlogs of work rose at the steepest rate since March 2015. Survey respondents often noted that a combination of better-than-expected demand and subsequent staff shortages was the main reason for an accumulation of unfinished business.

April data highlighted that elevated inflationary pressures persisted across the service economy. Input prices rose at the strongest pace for just over four years. The wide range of factors cited as pushing up operating costs included transport surcharges, staff wages, and the pass through of higher imported raw material costs by suppliers.

Efforts to mitigate rising input prices resulted in a robust increase in average charges among service providers during April. However, the rate of prices charged inflation moderated very slightly from the 40-month high seen in March.

Looking ahead, service sector firms overwhelmingly anticipate an upturn in business activity during the next 12 months. Around 65% of the survey panel forecast an expansion, while only 7% predict a decline. The resulting business expectations index was only fractionally lower than March's 14-year peak.

## Comment

Tim Moore, Economics Director at IHS Markit, which compiles the survey:

*"April data illustrates that a surge of pent up demand has started to flow through the UK economy following the loosening of pandemic restrictions, which lifted private sector growth to its highest since October 2013. The roadmap for reopening leisure, hospitality and other customer-facing activities resulted in a sharp increase in forward bookings and new project starts across the service sector. If the rebound in order books continues along its recent trajectory during the rest of the second quarter, then service sector output growth looks very likely to surpass the survey-record high seen back in April 1997."*

*"The successful vaccine roll out continued to underpin expectations of a strong recovery in the year ahead, with service providers responding by boosting employment and investment spending during April. Job creation was the strongest for five-and-a-half years and, for the first time since the start of the pandemic, there were reports citing staff shortages as a factor holding back growth."*

*"Inflationary pressures remained a concern for service providers in April, with higher staff costs, transport bills and raw material prices all adding to business expenses. The overall rate of input cost inflation was the fastest since February 2017, which resulted in another strong increase in average prices charged for business and consumer services."*

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

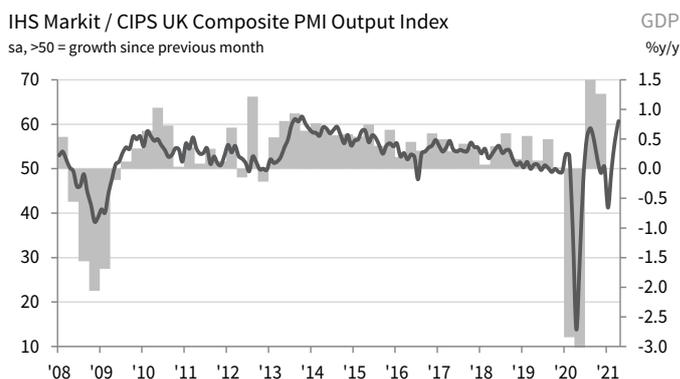
*"Service sector companies were creating jobs at a level last seen since in October 2015 and paying more in wages to get the best talent; a sign of ever-increasing confidence about the year ahead. This chipper atmosphere was built on a solid foundation of the biggest rise in activity since October 2013 as firms enjoyed a deluge of new work following lockdown easing and improved economic conditions."*

*"While salaries, transport charges and raw material shortages were driving up operating costs at considerable levels, companies felt comfortable enough to charge their customers more, as price rises equalled late 2017 rates."*

*"This positive trend in recovery is likely to accelerate in the coming months, but stretched supply chains remain a sticking point, along with inflation potentially biting chunks out of wages and business margins, threatening to put a brake on this fast track to economic normality."*

## IHS Markit / CIPS UK Composite PMI®

# Strongest UK private sector output growth since October 2013



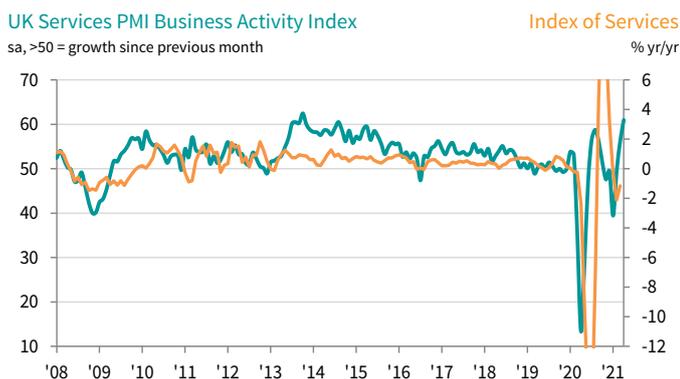
At 60.7 in April, up from 56.4 in March, the seasonally adjusted UK Composite Output Index posted above the 50.0 no-change mark for the second month running. The latest reading signalled the fastest increase in private sector business activity for seven-and-a-half years. The index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index\*. The final reading was above the earlier 'flash' estimate for April (60.0).

For the first time since February 2020, output across the service economy (index at 61.0) expanded at a stronger pace than manufacturing production (index at 59.2). Both sectors recorded much sharper rates of growth than in March. Manufacturers signalled the steepest upturn in output since last August, while service providers experienced the quickest increase in activity since October 2013.

Mirroring the trend for output, April data indicated that job creation across the service sector exceeded that seen among manufacturing companies. The overall rate of private sector employment growth was the fastest since October 2015.

Sharp rates of input price inflation were seen during April, led by another rapid increase in average cost burdens in the manufacturing sector. As a result, prices charged by private sector firms rose at the quickest pace since November 2017. Despite ongoing price pressures, business optimism improved again, with private sector growth expectations the strongest since this index began in July 2012.

\*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.



Sources: IHS Markit, CIPS, ONS.

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### Survey 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 Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

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.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### Survey dates and history

Data were collected 12-28 April 2021.

Survey data were first collected July 1996.

### Flash vs. final data

Flash data were calculated from approximately 85% of final responses. Since January 2006 the average difference between final and flash Services Business Activity Index values is 0.1 (0.3 in absolute terms).

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### 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. [ihsmarkit.com/products/pmi.html](http://ihsmarkit.com/products/pmi.html).