

## News Release

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:30 (UK), 6 January 2014**

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

## Strong growth of service sector sustained in December

**Data collected 5-19 December**

#### Key Points:

- Activity and new business both rise at slower rates, but growth remains sharp
- Confidence at highest level since March 2010
- Employment continues to rise at marked pace

#### Summary:

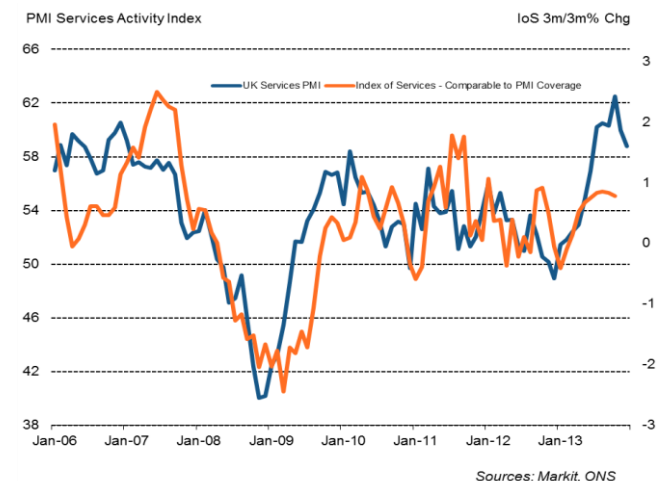
The UK service sector continued to expand strongly as 2013 came to an end, with activity, new business and employment all again rising at marked rates. These positive trends helped bolster business expectations, with confidence amongst service providers at its highest in nearly four years.

After accounting for seasonal factors, the headline Business Activity Index registered a level of 58.8. That was down from 60.0 in November and a six-month low, but nonetheless signalled a historically strong rate of expansion. Moreover, growth of activity has been continuously recorded throughout 2013.

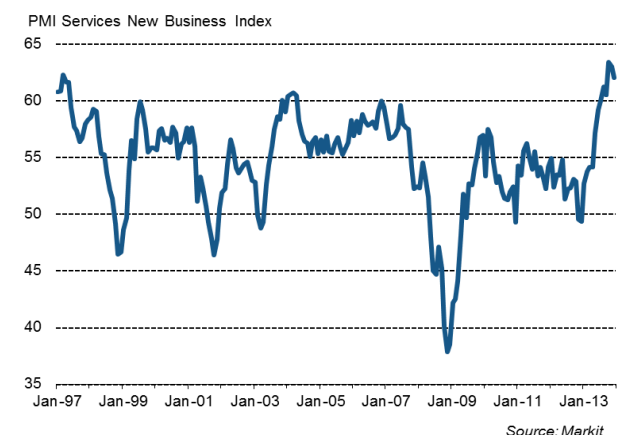
Providing the primary foundation to activity growth during December was again a rise in incoming new business. As with activity, new work has risen continuously throughout 2013 with the average growth rate in the final quarter of the year the best in the survey history (despite December registering the weakest increase in new work for three months).

Market confidence was reportedly high, according to panellists, with clients enjoying access to larger funds and, perhaps more importantly, willing to commit these to new contracts. Increased marketing and the release of new products also bolstered sales with both new and existing customers.

#### Business activity growth strong, but at six-month low<sup>1</sup>



#### New business rises sharply again



<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.

The positive trends in activity and new business are widely expected to continue in 2014. Optimism amongst the survey panel regarding activity over the next 12 months was at its highest since March 2010, with well over 50% of respondents forecasting growth. Investment in capacity, new products and marketing platforms was also noted as a reason to be confident heading into 2014.

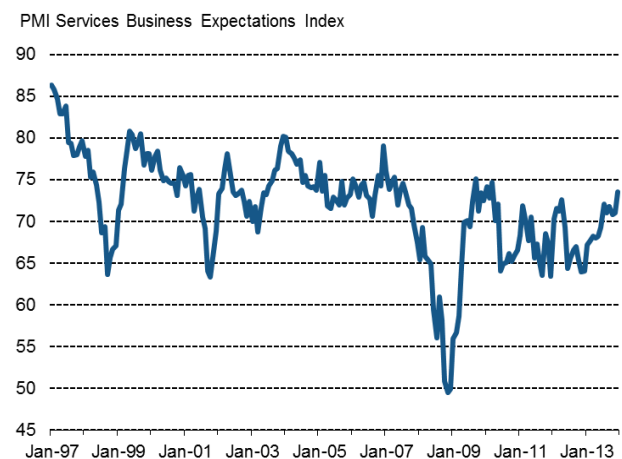
There was further evidence of capacity pressures in December, with backlogs of work rising for a ninth successive month. Although not to the extent seen in recent months, backlog growth was solid as continued sharp rises in new business stretched resources.

Many companies responded to rising workloads by adding to their payroll numbers at a marked pace. Employment rose for a twelfth successive month, and again at a historically sharp pace. Expectations for growth helped bolster recruitment activity.

Input prices continued to rise during December, although the rate of inflation weakened to a three-month low. Where input costs were reported to have increased, panellists indicated that rising energy, fuel and utility prices had underpinned the net increase in operating expenses. A number of other panellists commented on a rise in average salaries/wages.

Finally, output price inflation remained solid in December as companies sought to protect margins following another round of cost increases. Some firms noted that a stronger market environment had enabled charge increases following a sustained period of price freezes.

### Business sentiment highest since March 2010



Source: Markit

### Comment:

#### Chris Williamson, Chief Economist at survey compilers Markit:

*“Service providers ended 2013 in a buoyant mood. Although growth of business activity slowed, it’s come down from super-strong levels and the pace of expansion remains elevated. Combined with still-strong growth in manufacturing and services, the PMI surveys suggest that the pace of economic growth will have accelerated in the fourth quarter from the 0.8% expansion seen in the third quarter. If the buoyancy of the surveys in the fourth quarter is borne out by the official data, the economy will have grown by 1.9% over the course of 2013; which would be the best we’ve seen since 2007.*

*“More strong growth looks likely as we move into 2014. Optimism about the year ahead hit the highest since early-2010 and growth of new orders remains reassuringly robust across all three sectors. It is perhaps inevitable, however, that we may see the rate of growth slow compared with the unusually strong pace seen in recent months.*

*“What’s also very encouraging is that this is a broad-based upturn, even within services, which*

*adds to the sustainability of the recovery. The strongest expansions in the fourth quarter were seen in computing and IT, transport & communication, financial services and business services, all of which saw very similar strong rates of growth.*

*“The weakest sectors were hotels and restaurants and personal services. While these household-facing sectors have nevertheless seen decent growth, their underperformance is another reminder that this is not purely a consumer and housing driven boom that we are currently seeing.”*

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

*“The UK services sector continues to hit the high notes as business confidence surged to its highest level in nearly 4 years. The average new business growth rate in the final quarter of 2013 was the best in the survey’s history, suggesting a very bright outlook for 2014. The stronger positive outlook also offers a platform for investment and expansion in new products and marketing, sustaining the continued broad based recovery in the New Year.*

*“New orders and backlogs rose firmly in the final month and will be leading the growth in activity at the start of the year. To sustain this expansion, firms have sought to increase staffing numbers for a twelfth successive month.*

*“Cost pressures, especially utility and energy prices, remained high in December but compared to previous times and given the upturn in activity,*

*service providers have found confidence to push their own prices up to protect their margins.”*

**The January Report on Services will be published on Wednesday 5<sup>th</sup> February 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**

Markit is a leading, global financial information services company with over 3,000 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information please see [www.markit.com](http://www.markit.com)

#### **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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