

## News Release

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL 0930 (UK) / 0930 (UTC) November 4 2015**

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

## Services growth picks up in October

**Data collected 12-28 October**

#### Key Points:

- Growth rate strengthens for first time in four months, but remains relatively subdued
- New business expansion unchanged from September's 29-month low
- Employment rises at fastest pace since May

#### Summary:

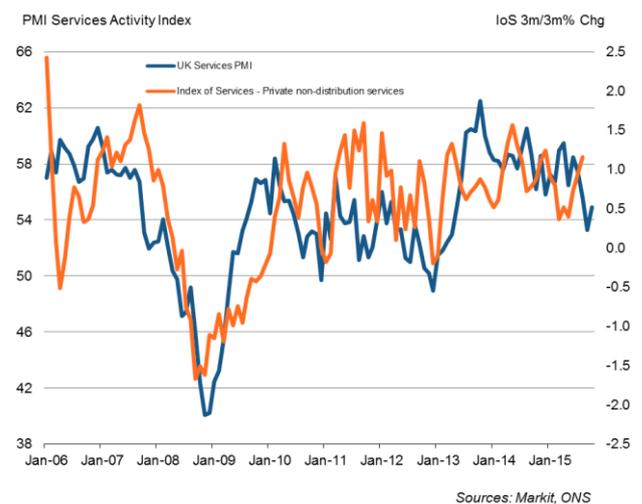
UK service providers reported a slightly faster overall rise in business activity and stronger job creation in October, according to the latest *PMI<sup>®</sup>* survey data from Markit and CIPS. That said, the pace of expansion in output was still the second-weakest since May 2013, and new business growth failed to accelerate from September's 29-month low. Moreover, the 12-month outlook for activity was the weakest in two-and-a-half years. Input price inflation slowed to one of the weakest rates of the past six years, and charges levied by service providers rose only marginally.

The headline figure for the survey is the seasonally adjusted Markit/CIPS UK Services Business Activity Index, a single-figure measure designed to track changes in total UK services activity compared with one month previously. Readings above 50.0 signal growth of activity compared with the previous month, and below 50.0 contraction.

The Business Activity Index remained above 50.0 in October, signalling an extension of the current sequence of output growth to 34 months. The Index rose for the first time since June, to 54.9 from 53.3 in September. The latest figure was broadly in line with the long-run survey average of 55.2, and indicative of a strong overall rise in business activity at service providers. That said,

the rate of expansion was still the second-weakest since May 2013.

#### Services expansion strengthens



In line with the trend for total activity, the volume of new business received by UK service providers rose for the thirty-fourth consecutive month in October. Firms reported growth from both existing and new customers, successful marketing campaigns and improving business confidence. The rate of expansion broadly matched the strong historic series average, but was nonetheless unchanged from September's 29-month low.

Growth of new work was sufficiently strong to generate a further rise in outstanding business in October. That said, the rate of backlog accumulation remained weak.

Service sector employment rose in October, continuing the trend shown since January 2013. Moreover, the rate of job creation strengthened to a five-month high, and remained faster than the long-run survey average.

Business expectations remained firmly positive in October, but softened for the sixth time in seven months to the weakest since April 2013.

Overall cost pressures in the service sector economy remained relatively subdued in October. Input price inflation slowed for the fourth time in five months, and was the joint-second lowest since September 2009. Where firms reported higher input costs, wages and salaries were most commonly cited. Meanwhile, prices charged for services continued to rise only marginally.

### Comment

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

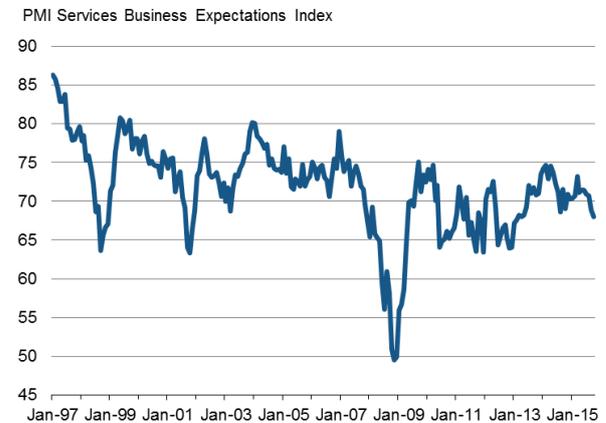
*“The PMI surveys brought welcome news of faster economic growth at the start of the fourth quarter. The three surveys collectively indicated that the rate of economic growth rebounded in October from the two-and-a-half year low seen at the end of the third quarter.*

*“A faster rate of expansion in service sector activity accompanied the steep upturn in manufacturing growth and robust construction sector growth reported earlier in the week.*

*“The survey data point to GDP rising at a quarterly rate of 0.6% at the start of the fourth quarter, up from 0.5% in the third quarter. Such an improvement, together with the revival in hiring signalled by the three surveys, with job creation hitting an eight-month high in October, may coax more policymakers into raising interest rates before the end of the year.*

*“Dovish policymakers will note, however, the ongoing lack of inflationary pressures in October, suggesting that there is no need to rush into raising rates.”*

### Weakest expectations since April 2013



Source: Markit

**David Noble, Group Chief Executive Officer at the Chartered Institute of Procurement & Supply:**

*“Good news for jobseekers and those looking for a pay rise in the service sector this month as a rise in the headline index signalled faster growth, albeit at more a muted pace than in manufacturing and construction.*

*“The rate of staffing growth rose to a five-month high and was faster than the average over the 19-year survey history. Respondents cited some difficulty in finding skilled staff so were willing to offer higher salaries to good candidates. The requirements of the Living Wage also contributed to higher input charges while material prices remained subdued.*

*“Backlogs rose slightly although growth of new business was disappointing and dampened future business sentiment, which was the weakest for two-and-a-half years and fell for the fifth consecutive month.*

*“Government spending reviews and this mixed picture of highs and lows makes it difficult to predict whether a searing rise in economic improvement is likely.”*

**The November Report on Services will be published on Thursday December 3 2015 at 09:30 UK / UTC**

**-Ends-**

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### Notes to Editors:

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

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

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### About PMI

*Purchasing Managers' Index*<sup>®</sup> (PMI<sup>®</sup>) surveys are now available for over 30 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 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 114,000 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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