

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 0930 (UK) / 0830 (UTC) April 5th 2016

Markit/CIPS UK Services PMI®

UK services growth picks up slightly in March, but remains subdued

Data collected 11-29 March

Key Points:

- March rounds off weakest quarter of output growth in services since Q1 2013
- Slowest rise in new business since January 2013
- Charges levied by service providers rise at fastest rate in over two years

Summary:

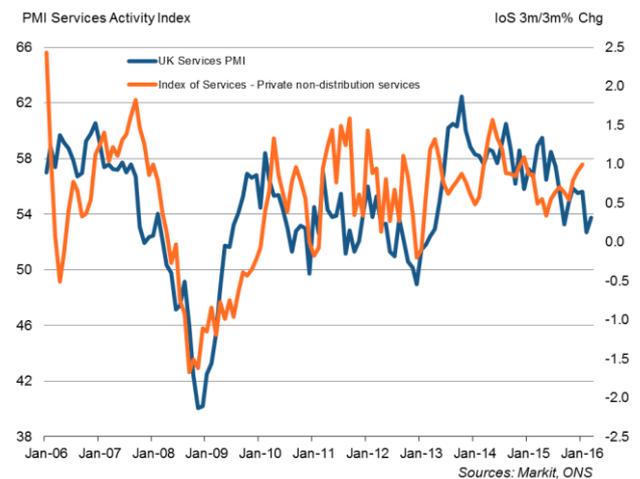
UK service sector growth remained sluggish in March, according to the latest *PMI*® survey data from Markit and CIPS. Total activity increased at a slightly faster rate than in February, but on a quarterly basis growth over the first three months of 2016 was the weakest since Q1 2013. Moreover, incoming new business increased at the slowest rate since January 2013.

Global economic uncertainty and the upcoming EU membership referendum were commonly reported to be factors undermining service sector business expectations during the month. Employment in the sector continued to rise, but at a rate little-changed from February's recent low. The latest survey data did signal a rise in inflationary pressures, particularly for charges which increased at the fastest rate in over two years.

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 rose to 53.7 in March, from February's 35-month low of 52.7. This signalled a faster rate of growth in output, but the second-weakest in six months. Moreover, the Index remained below its long-run average of 55.2, and the average for the first quarter of 2016 (54.0) was the lowest of any quarter since Q1 2013.

Services growth remains sluggish



Latest data suggested that growth will remain subdued moving into the second quarter of the year. The volume of incoming new business increased in March but at the weakest rate since January 2013, the first month of the current growth sequence.

Growth of outstanding business at UK service providers was maintained in March, following January's contraction. That said, the rate of growth remained modest.

Service providers continued to expand workforces in March. The rate of job creation was solid

overall, but remained weaker than the trend shown over the current 39-month sequence of growth.

March saw an intensification of inflationary pressure in the UK service sector. Average input prices rose at the fastest rate since September 2014, linked to higher labour costs, rents and fuel prices. That said, input price inflation remained below the long-run survey average. Meanwhile, prices charged by service providers rose at the fastest rate in over two years.

The longer-term outlook for service sector activity remained relatively subdued in March, with optimism remaining among the weakest registered over the past three years. Firms highlighted weak and uncertain global demand, as well as domestic factors such as the EU referendum, the housing market and public spending cuts as potentially undermining growth.

Comment

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

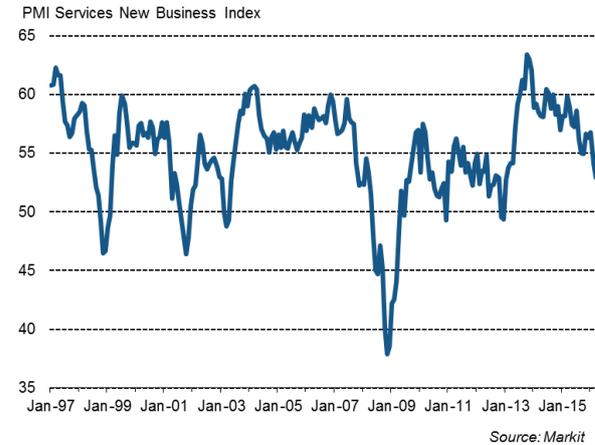
“An upturn in the pace of service sector growth in March was insufficient to prevent the PMI surveys from collectively indicating a slowdown in economic growth in the first quarter. The surveys point to a 0.4% increase in GDP, down from 0.6% in the closing quarter of last year.

“Across the three main sectors of the economy, firms reported the smallest increase in demand for just over three years, which in turn fed through to a reluctance to take on new staff. March saw the weakest rate of job creation for over two-and-a-half years.

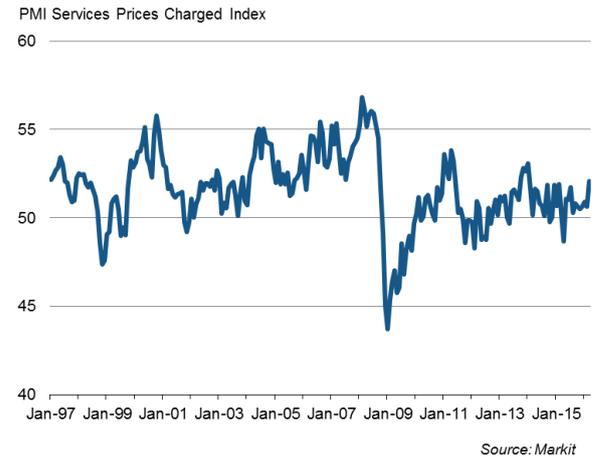
“Business confidence remains in the doldrums as concerns about the global economy continue to be exacerbated by uncertainty at home, with nerves unsettled by issues such as Brexit and the prospect of further government spending cuts announced in the Budget.

“It therefore seems unlikely that March’s upturn in the pace of growth represents the start of a longer term upswing. In contrast, the survey data suggest growth is more likely to weaken further in the second quarter. With the PMI already in territory traditionally associated with the Bank of England choosing to loosen policy, interest rate hikes seem a long way off.”

New business growth slowest since January 2013



Charges rise at fastest rate in over two years



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

“The sector appeared to have pressed ‘pause’ on significant progress during March, with the level of new business rising at its slowest pace since January 2013.

“Though the index was still in positive territory, the impact of increased competition, uncertainty over Brexit and new buy-to-let and stamp duty rules possibly cooling the housing market showed that there was less appetite for a more robust response in activity.

“Backlogs also increased as skills shortages were apparent and, where rises in input costs were reported, respondents cited paying higher wages to retain good staff as one of the causes. Employment levels, however, continued to rise, now for 39 consecutive months.

“Business optimism remained relatively subdued, showing that current caution and hesitancy to commit to larger investments is having some effect on the sector.”

**The April Report on Services will be published
on Thursday May 5 2016 at 09:30 UK / 08:30
UTC**

-Ends-

Contact Information:

For economics comments, data and technical queries, please call:

Joanna Vickers

Tel: +44 207 260 2234

Email: joanna.vickers@markit.com

For industry comments, please call:

CIPS

Trudy Salandiak

Tel: +44 1780 761576

Email: trudy.salandiak@cips.org

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.

About Markit

Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ over 4,000 people in 11 countries. Markit shares are listed on Nasdaq under the symbol MRKT. For more information, please see www.markit.com.

About PMI

Purchasing Managers' Index® (PMI)® 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.

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 118,000 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

The intellectual property rights to the UK Services PMI® provided herein are owned by or licensed to Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. 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 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 Markit Economics Limited. CIPS use the above marks under license. Markit is a registered trade mark of Markit Group Limited.