

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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Markit/CIPS UK Services PMI[®]

Business activity rises in July at fastest rate since late 2006

Data collected 12-29 July

Key Points:

- Faster increase in new sales volumes as market conditions continue to strengthen
- Backlogs rise at sharpest rate since February 2000
- Business confidence strengthens to highest level for 15 months

Summary:

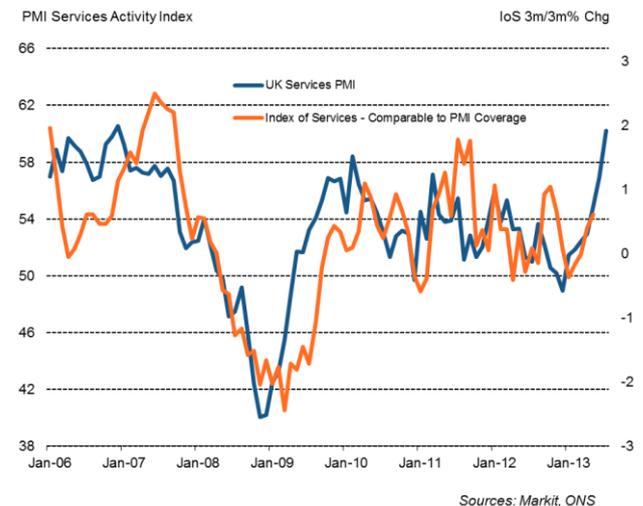
The UK service sector expanded at its quickest pace for over six-and-a-half years in July as new business continued to rise strongly amid evidence of an improvement in market conditions. The strong gain in new work placed pressure on capacity, leading to a marked increase in backlogs of work and encouraged solid payroll growth.

Service providers were also optimistic about future activity levels while, on the price front, output charges were raised to the greatest degree since June 2011.

The headline seasonally adjusted Business Activity Index climbed to its highest reading since December 2006 during July, posting 60.2, up from 56.9 in June. Above 50.0 readings have now been recorded for seven months in a row, with growth accelerating continuously throughout this period.

Supporting activity growth through 2013 has been continual gains in new business. July was no different, with sales rising at the strongest rate since November 2006. Underlying demand was reported to be stronger and market conditions improving both at home and abroad. Good weather and a pick-up in the housing market provided further boosts to activity and sales during the latest survey period.

Substantial rise in service sector activity registered in July¹



Strong growth of new business led to capacity pressures during July, as highlighted by the sharpest rise in backlogs of work since February 2000. Backlogs have now risen for four months in a row, and continued increases in work outstanding encouraged a further rise in employment. July's survey marked the seventh month in succession that payroll numbers have increased, with the latest data showing a solid rate of growth that was little moved on June's near six-year peak.

Employment also increased as part of business expansion plans as confidence regarding future activity improved to its highest level for 15 months. Panellists are widely expecting the recent upturn in economic conditions to continue, with new product

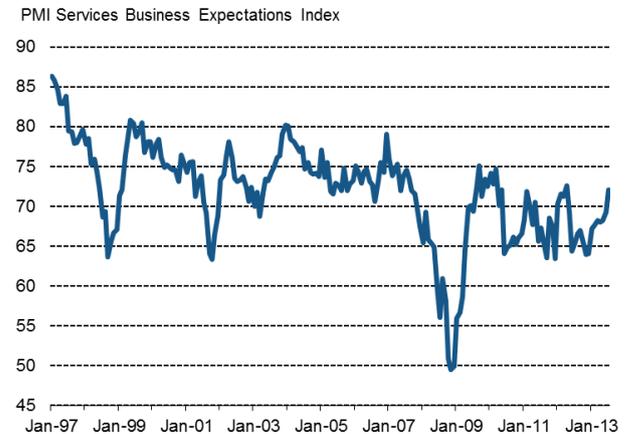
¹ ONS Index of Services (IoS) growth rates based on weighted data covering Accommodation & Food Services, Transport, Storage, Information & Communications Services, Finance, Real Estate, Professional, Admin & Support Services and Other Services.

plans and geographical expansion also cited as reasons to be optimistic.

Meanwhile, input price inflation was little changed at a marked pace in July. Fuel remained a source of inflation, as did continued rises in the price of food products. There were a number of reports that wages paid to staff had been raised.

Service providers were able to pass on a proportion of their higher input costs to clients. Output charges increased for the second successive month and, though modest, the rate of inflation was the strongest recorded in over two years. Better demand and improved market conditions helped to support higher output charges.

Business sentiment improves to 15-month high



Source: Markit

Comment:

Paul Smith, Senior Economist at survey compilers Markit:

“Strong UK Services PMI data for July follows on from equally positive numbers from sister construction and manufacturing surveys, as the recovery becomes increasingly broad-based and gains further traction heading through the summer. Indeed, a composite reading of the respective output balances from all three PMI surveys reached a series record high during July, driven by the sharpest increase in new business since March 2004.

“While there were again reports that the better weather bolstered activity during July, the service sector appears to have genuine momentum with underlying economic conditions and business confidence rising. Improved activity in the housing market, which has also bolstered construction, is reported to be having a positive impact.

“Although an early call on one month’s data, the forward-looking elements from the survey point to a further strengthening of GDP in Q3 as the UK heads towards ‘escape velocity’ and self-sustaining economic expansion.

“However, a full and real recovery for many people will be one that results in meaningful job creation, a strengthening in real wages and an associated improvement in living standards which have been under substantial pressure in recent years. While there is a long way to go, July’s survey provided

some positive news on this front, with employment rising at a rate only a touch off June’s near six-year record and reports of higher salaries being paid.”

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

“The services sector stormed to a six year high in July, registering levels of performance not seen since before the financial crisis. Combined with the manufacturing and construction figures, this is the clearest sign yet that the UK economy is experiencing a broad based economic recovery and has the momentum to deliver continued growth.

The seventh month of sustained, accelerated growth in services was underpinned by improved market conditions both domestically and abroad. Business confidence for UK services is now the highest it has been for 15 months, allowing businesses to expand, develop new products and increase their fees.

The steep rise in new business and the sharpest rise in backlogs of work since 2010 have put some pressure on capacity, giving firms the conviction to take on more staff and increase wages, which have been stagnant for a long time. Taken together, these could signal a significant month in the turnaround of the fortunes of UK plc.”

The August Report on Services will be published on Wednesday 4th September 2013 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.

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About PMIs

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.

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.
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