

## News Release

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:30 (UK), 3 April 2014**

### Markit/CIPS UK Services PMI®

## Slowest growth of UK service sector recorded for nine months

Data collected 12-27 March

#### Key Points:

- Activity, new business and employment all continue to rise...
- ...but at weaker rates
- Output charges stagnate as input cost inflation weakens

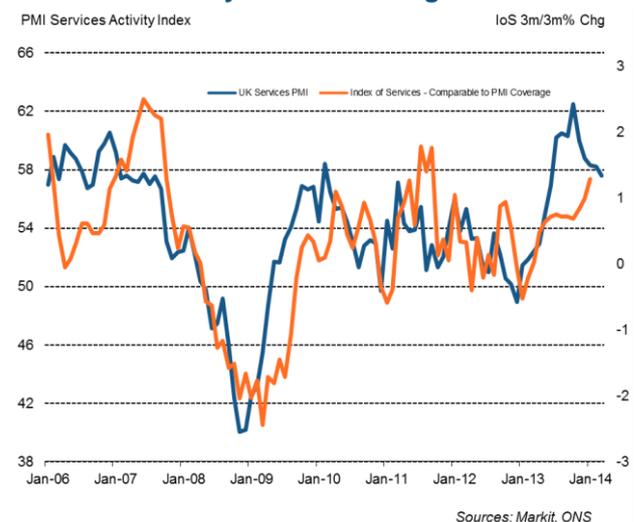
#### Summary:

Growth of the UK service sector remained marked during March, though maintained its recent downward trajectory to hit its lowest level since June 2013. New business volumes followed a similar trend, while there was also a slower increase in employment. Price pressures continued to dissipate, while confidence regarding the outlook remained firm.

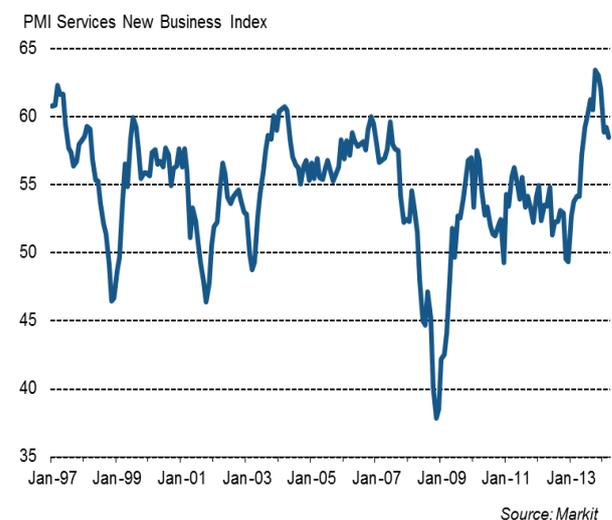
The headline index from the survey, the seasonally adjusted Business Activity Index, registered 57.6 in March. Remaining well above the 50.0 no-change mark, the index signalled another period of sharp activity growth. However, falling for a fifth month in a row, the index posted its lowest level since June 2013.

Incoming new business volumes also continued to rise at a strong but nonetheless slower rate during March. Latest data showed that new work increased at the weakest pace for ten months. Nonetheless, around a third of panellists indicated an increase in new work since the previous survey period, amid reports that clients were confident in the strength and sustainability of the recent economic upturn. The launch of new products and services also helped to support growth of new business.

#### Growth of activity remains strong in March



#### Incoming new business volumes rise at slowest pace for ten months



Capacity remained under some pressure in March, as levels of work outstanding increased for the twelfth successive month. Although the slowest of 2014 so far, growth was nonetheless solid with around 16% of the survey panel indicating an increase in backlogs since the previous month. Continued rises in volumes of new business were reportedly the primary driver of increases in work outstanding.

A number of companies responded to the rise in work outstanding by adding to their staffing levels. With panellists also encouraged by healthy pipelines of new business, which underpinned positive growth projections, a net increase in staffing levels was recorded for the fifteenth month in a row. However, in line with slower activity and new business growth, the degree to which staffing levels rose was the slowest in half-a-year.

On the price front, input costs rose to the slowest degree since May 2013. Although suppliers were reportedly taking advantage of stronger demand to push through higher prices, and wage costs were said to be increasing, some panellists reportedly improved efficiency to keep overall cost inflation in check.

Meanwhile, output charges rose only marginally and to the weakest degree in ten months of inflation. Strong competition reportedly weighed on pricing power, while some companies noted that lower cost inflation had reduced the need to raise charges.

#### Comment:

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

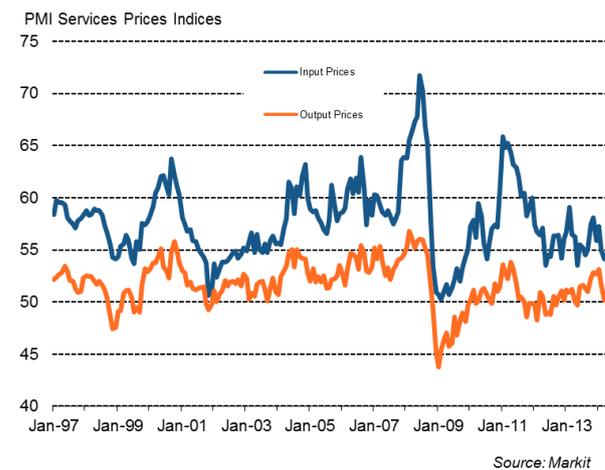
*“While March saw growth slow across the services, manufacturing and construction sectors, all three continue to expand at very strong rates, meaning the economy looks to have grown by at least 0.7% again in the first quarter.*

*“With prices charged for services barely rising, and the exchange rate reducing the cost of imports, inflation is set to fall further in the coming months, extending this ‘Goldilocks’ period of above-trend growth and falling inflation.*

*“Policymakers will be concerned that growth could ease further if sterling continues to appreciate, but there’s no evidence to suggest that any slowdown will be anything other than modest, adding to indications that the UK is set to see growth outpace its peers in 2014.*

Finally, despite easing to a four-month low, business confidence remained firm, with over half of the survey panel expecting activity to increase over the next 12 months. Positive business plans amid hopes of a sustainable economic recovery underpinned business confidence in March.

#### Price pressures continue to dissipate in March



*“The drop in price pressures alongside the more moderate pace of growth takes pressure off the Bank of England to start tightening policy, which should in turn take some pressure off sterling.”*

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

*“Strong signals indicate that a stabilising trend is underway in the services sector. Even with a slower rate of expansion, UK Services maintained an elevated level of growth in March. Although the rate of new work rose at its weakest rate in 10 months, business confidence remains high, with firms planning to raise investment in marketing and expecting to win new contracts.*

*“Capacity has been an issue with backlogs of work continuing to expand. This, alongside a solid pipeline of new business and a positive economic climate, continued to drive strong job creation for a*

*fifteenth consecutive month – all good leading indicators of a more positive period ahead.*

*“Price pressures indicated further signs of easing in March. With lower cost inflation, companies did not seek to increase and pass costs on.*

*“As a whole, we may be seeing a slight downward trend at the start of this year, but we are hopeful that this healthy outlook is where we are now heading.”*

**The April Report on Services will be published on Tuesday 6<sup>th</sup> May 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).

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*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.

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