

News Release

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

UK service sector continues to expand sharply in July

Data collected 11-29 July

Key Points:

- Activity rises at stronger pace
- New business again increases substantially as demand for services remains strong
- Payroll numbers continue to rise markedly

Summary:

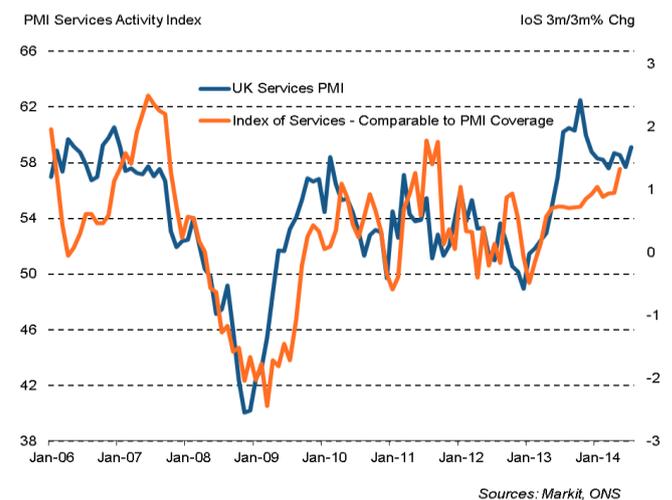
Growth of the UK service sector strengthened in July as a positive business environment boosted demand and drove new work higher. With workloads rising and capacity under further pressure, services employment continued to increase at a historically marked rate. Service providers retained positive expectations for growth, albeit to a lesser extent than seen during recent months.

The headline Business Activity Index remained well above the 50.0 no-change mark during July, thereby extending the current run of growth to over a year-and-a-half. Moreover, reaching a level of 59.1, from June's 57.7, the index posted at an eight-month high. Over 30% of the survey panel signalled an increase in activity at their units since June.

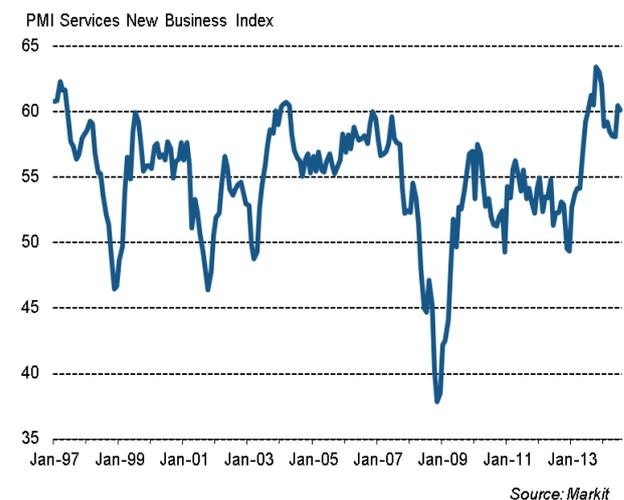
The launch of new services, increased marketing and greater opportunities to tender for business were all noted as factors underpinning growth of activity. Moreover, another considerable increase in new work also drove activity up over the month, with the latest data showing the rate of new business growth in July was little changed on the 2014 high posted in June. Anecdotal evidence indicated that client confidence was up, and there was a willingness to commit to new contracts. Demand from both at home and abroad reportedly strengthened, while there was some indication that

new business placed from public sector organisations had increased.

Accelerated increase in activity during July



New business continues to rise sharply



A feature of the survey data during recent months has been increased hiring activity amongst UK service providers. This trend was extended into the second half of the year, with growth of payroll numbers remaining elevated, despite easing on June's survey record.

Staff were recruited to help support efforts to keep on top of current workloads and in anticipation of further growth in the coming months.

Indicating capacity pressures, backlogs of work rose at a marked and accelerated pace during July, with the degree of growth the strongest since January. Business outstanding has now increased for sixteen months in a row.

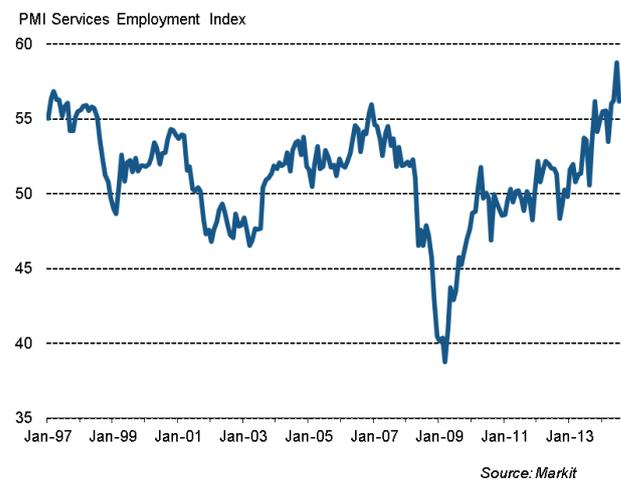
Meanwhile, confidence in the outlook was highlighted by data on business expectations, which showed just under 48% of the survey panel forecasting a rise in activity from present levels in 12 months' time. That said, the degree of positive sentiment was the lowest for eight months.

Finally, on the prices front, input cost inflation remained marked during July. There were reports from companies that a key driver of higher

operating costs was an increase in wages. Utility bills were also reported to have risen.

In contrast, average output prices were little changed in July as competitive pressures continued to thwart pricing power.

Service sector employment growth remains firm



Comment:

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

"The vast services economy's growth surge shows no sign of abating. The July PMI showed the sector expanding at the fastest rate since last November, as demand for services continued to increase at a rate rarely seen in the survey's 18-year history."

"The buoyancy of the services and construction sector PMIs suggest the domestic economy clearly continued to boom in July, offsetting the cooling of growth seen in the manufacturing sector."

"The survey data point to the growing likelihood of yet another strong economic expansion in the third quarter. We would expect to see GDP rise by 0.8% again if the surveys hold their current levels."

"The sustained strength of growth will add to calls for interest rates to start rising later this year. However, with prices charged for services rising only very modestly again in July, an absence of inflationary pressures means there is still a strong case for any tightening of policy to be delayed until 2015."

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

"Growth in the UK's dominant service sector leapt to an eight-month high in July thanks to substantial increases in new business at home and abroad, which has in turn led to a continued rise in job numbers and profitability. The only dampener is a softening in the overwhelming confidence we have become used to, perhaps a sign of realism sneaking in, as firms keep a close eye on costs and refuse to get carried away."

"With backlogs rising, service providers have taken up the capacity challenge, investing in new roles and even starting to increase wages this month. As the labour market tightens this trend is set to continue, putting pressure on the Bank of England to head off inflation when it meets to discuss interest rates on Thursday."

The August Report on Services will be published on Wednesday 3rd September 2014 at 09:30

-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

Hill & Knowlton Strategies

Edward Jones

Tel: +44 (0)20 7413 3217

Email: edward.jones@hkstrategies.com

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 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.

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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