

News Release

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

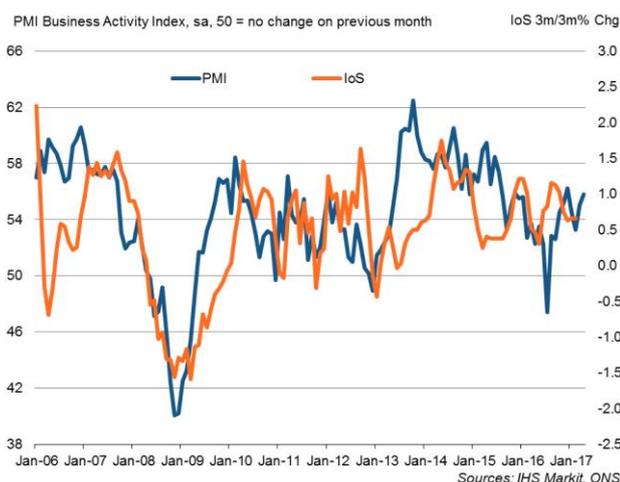
Service sector growth accelerates in April

Key findings:

- Sharpest rise in business activity since December 2016
- New work and employment levels expand at fastest pace so far in 2017
- Fastest increase in average prices charged since July 2008

Data collected April 11-26

Markit / CIPS UK Services PMI



UK service providers experienced a sustained rebound in business activity during April, supported by the fastest upturn in new work so far in 2017. Job creation also picked up to a four-month high, driven by renewed pressures on operating capacity. A strong pace of input cost inflation persisted in April, which contributed to the steepest rise in prices charged by service sector firms since July 2008. Meanwhile, service providers are confident about their prospects for growth over the year

ahead, but the degree of optimism moderated for the third month running to its weakest since November 2016.

At 55.8 in April, up from 55.0 in March, the headline seasonally adjusted **Markit/CIPS Services PMI® Business Activity Index** posted above the 50.0 no-change threshold for the ninth month in a row. The latest reading revealed the fastest upturn in service sector output since December 2016. The robust and accelerated rise in services activity was linked to resilient business-to-business demand, new product launches and, in some cases, another rise in sales to overseas clients.

April data signalled that new business growth gained further momentum, with the pace of expansion the strongest so far this year and the second-fastest since the summer of 2015. Anecdotal evidence from survey respondents suggested that greater business-to-business sales had helped to offset subdued discretionary consumer spending.

Higher levels of incoming new work placed additional pressure on operating capacity across the service economy in April. As a result, backlogs of work were accumulated for the second month in a row, although at only a marginal pace. Meanwhile, service providers sought to boost their staffing numbers during April, which continued the trend seen since August 2016. The increase in employment was only modest, but still one of the fastest rates of expansion seen over the past 12 months.

Staff recruitment was underpinned by hopes of sustained business activity growth over the year ahead. Around four times as many service providers (47%) anticipate a rise in business activity as those that expect a fall (12%). However, the latest survey indicated that the degree of optimism moderated further from January's post-referendum peak to its weakest for five months. Some firms linked this to concerns about the impact of higher inflation on household budgets.

UK service providers indicated a strong rise in input costs during April, despite the rate of inflation easing to a seven-month low. This was mostly linked to higher utility bills, full costs, salary payments and food prices. As a result, average prices charged by services firms increased at a robust pace that was the fastest recorded since July 2008.

Comments

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

"The upturn in the services PMI rounds off a hat-trick of good news after upside surprises to both the manufacturing and construction PMIs. The three surveys collectively point to GDP growing at a rate of 0.6% at the start of the second quarter.

"While we expect consumer spending to slacken in coming months, with the April survey highlighting continued weakness in sectors such as hotels, restaurants and other household-facing businesses, there's good reason to believe that at least 0.4% GDP growth can be achieved in the second quarter as a whole.

"The PMI surveys also show average prices charged for goods and services rising at the fastest rate since September 2008. Price hikes were widely attributed to the need to pass increased costs onto customers, in turn partly linked to the weak exchange rate making imports more expensive. The survey data therefore suggest that consumer price inflation has further to rise from its current 2.3% pace in coming months.

"The strengthening of growth and the upturn in prices will bolster calls for higher interest rates. But weak growth in the consumer sector remains a concern, and is something which could intensify in coming months as consumer prices rise further."

Duncan Brock, Director of Customer Relationships at the Chartered Institute of Procurement & Supply, said:

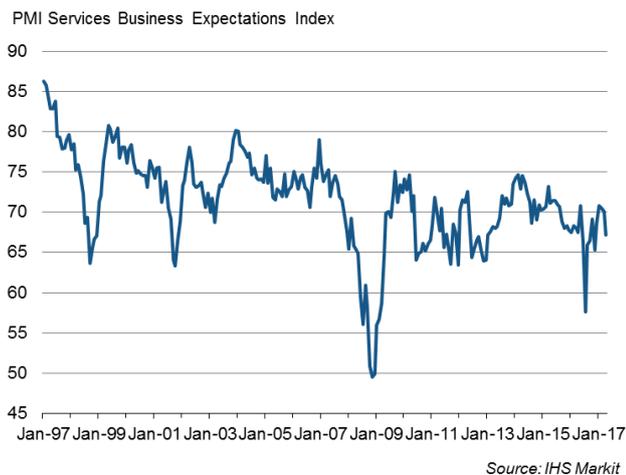
"The UK's biggest sector started Q2 in stellar fashion with the strongest performance so far this year and with new business growth riding high.

"A supportive economic backdrop helped to boost the UK service sector, with resilient demand reported both at home and from abroad. Going full steam ahead with staff hires rising at one of the fastest rates since last summer, this relieved capacity pressures and provides a signal that service providers anticipate additional growth in the coming months.

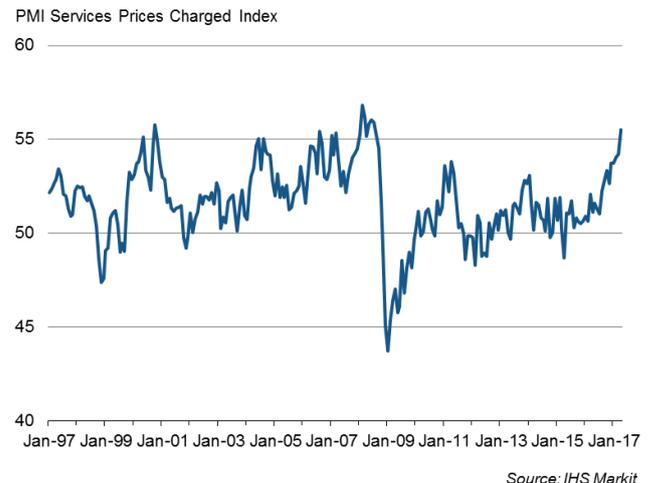
"The driver of growth came primarily from business clients, as consumers took a back seat, uneasy about rising costs for essentials such as food, fuel and energy which rose at the fastest rate since July 2008. As prices and supply chain pressures will be the focus for business in the coming months, it is the consumer who will make or break the sector's progress if the political headwinds are favourable, disposable incomes improve and the pound's lacklustre performance improves."

- Ends -

UK Services Business Expectations



UK Services Prices Charged



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Note to Editors:

The May UK Services PMI will be published on Monday 5th June 2017 at 09:30 UK (08:30 UTC).

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 number 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@ihsmarkit.com.

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