

News Release

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

UK service sector growth strengthens

Data collected 12-26 November

Key Points:

- Activity and new business both rise at sharper rates
- Employment continues to increase as capacity constraints persist
- Higher wage bills push up operating expenses, but lower fuel prices limit cost inflation

Summary:

November's survey of the UK service sector indicated a strengthening of activity growth amid reports of firm demand and rising volumes of new business. Capacity subsequently remained under pressure, leading to a further increase in levels of work outstanding, and companies responded by adding to their payroll numbers.

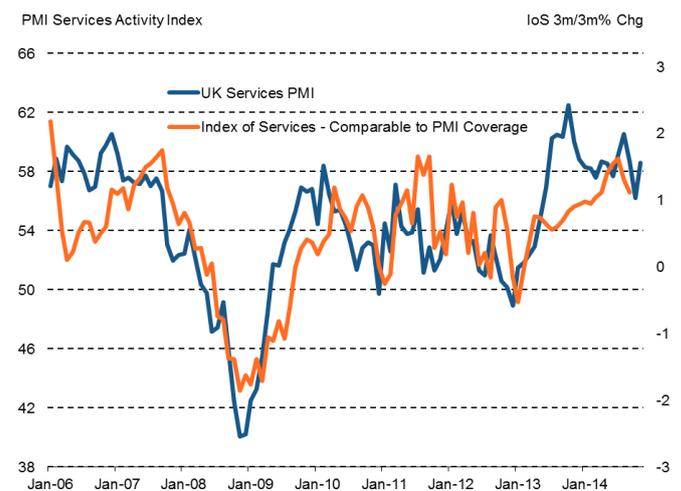
The latest survey also indicated that higher wage bills were driving up overall operating expenses, although these were offset to a degree by lower fuel costs. Output charges were unchanged as competitive pressures restricted pricing power.

The headline seasonally adjusted Business Activity Index remained comfortably above the 50.0 no-change mark for a twenty-third successive month in October to signal further growth of activity. Moreover, a rise in the index to 58.6, from 56.2 in October, pointed to a marked and accelerated rate of expansion that was well above the survey's historical average.

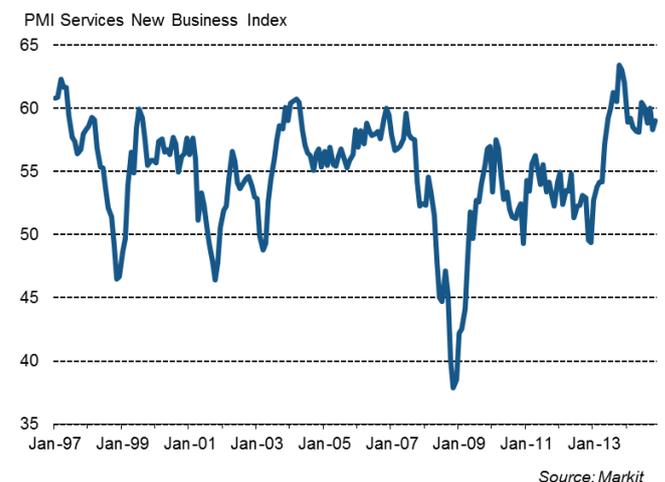
Supporting the latest increase in activity was another rise in new business volumes. Panellists commented that demand was high, and they had been able to secure contracts from both new and existing clients. Advertising and marketing drives provided further support to sales efforts, and overall new business growth strengthened since October

with over 28% of panellists recording a rise in new work.

Rebound in activity growth in November



New business growth remains historically sharp



A number of panellists indicated difficulties in coping with higher workloads during November as signalled by a further increase in levels of business outstanding. Backlogs have now risen for twenty months in succession.

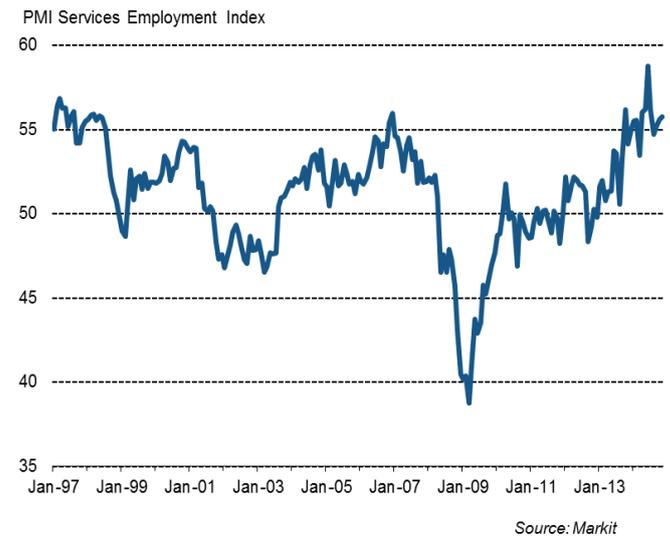
Companies sought to alleviate capacity constraints by adding to their payroll numbers at a quicker pace. Latest data showed that total service sector employment rose to the strongest degree since July, and growth has now been registered in each month since January 2013.

An elevated rate of employment growth in November also reflected positive company expansion plans. With this in mind, business confidence in the sector remained high, with over 48% of the survey panel forecasting an increase in activity from present levels in 12 months' time. Panellists signalled positive forecasts for market demand, and are expecting to raise investment both in staff numbers and offered services.

Finally, on the price front, companies reported that higher wage bills were a key driver of another solid increase in their average operating costs during November. A fall in fuel prices, however, helped to

push inflation down to a three-month low and also enabled firms to maintain their own pricing policies in what remained a competitive marketplace. Latest data showed that average output charges were unchanged since October.

Marked growth of employment in November



Comment:

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

“Faster growth of services activity brings welcome news that fears of a potentially sharp slowdown in the economy look overplayed. The upturn in the service sector offset slower growth of factory production and construction activity in November, lifting the overall pace of economic growth from October’s 16-month low.”

“The survey data available so far for the fourth quarter are signalling a GDP rise of 0.6%, down from 0.7% in the third quarter but still an impressively robust pace which would mean the economy grew 3.0% in 2014.”

“Employment continued to rise strongly in services as well as manufacturing and construction, meaning the jobless rate looks set to fall further from the current level of 6.0%. There are also signs that wage growth is picking up alongside the improving labour market, which should help boost household incomes and consumer spending.”

“Fortunately, higher staff costs are being countered by falling fuel prices, giving policymakers greater scope to hold off from raising interest rates amid the ideal combination of robust economic growth and low inflation.”

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

“The slight dip in last month’s activity has done little to dispel the current wave of optimism in the services sector as procurement and supply chain professionals report firm demand and rising volumes of work.”

“Where other sectors have succumbed to a minor slowdown, services is leading the way confidently, with investments and marketing activity supporting improving productivity. Though suppliers are under some pressure with capacity constraints, these have resulted in a rise in employment levels to tackle backlogs alongside incoming new business. Higher staff costs are being tempered by lower fuel costs, keeping inflation low as competition and good procurement keeps output prices down.”

“Half of the survey’s respondents reported optimism for the sector as activity expanded for the twenty-third consecutive month, which is a good sign for the end of this year and the beginning of 2015.”

The December *Report on Services* will be published on Tuesday 6th January 2015 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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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 Procurement & 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 106,000 in 150 countries,

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