

News Release

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

Weakest rise in activity in nearly two-and-a-half years in September

Data collected 11-28 September

Key Points:

- September completes weakest quarter since Q2 2013
- New business growth hits 29-month low
- Charges continue to rise only marginally

Summary:

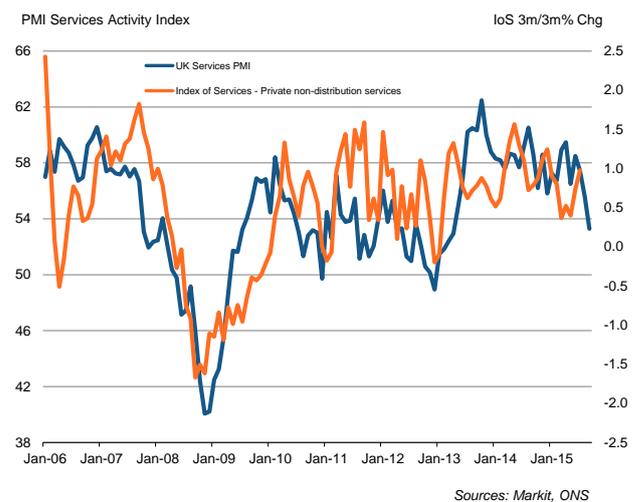
The dominant UK services sector continued to experience a slowing rate of growth at the end of the third quarter, according to the latest *PMI[®]* survey data from Markit and CIPS. Total business activity rose at the slowest pace since April 2013, as did the volume of incoming new work. Outstanding business rose only fractionally as a result, while the longer-term outlook sank to the weakest since August 2014. Input prices rose solidly, linked to salary pressures, but charges levied by service providers increased only marginally. The main positive from the latest survey was the strongest rise in employment in three months.

The headline figure for the survey is the seasonally adjusted Markit/CIPS UK Services Business Activity Index, a single-figure measure designed to track changes in total UK services activity compared with one month previously. Readings above 50.0 signal growth of activity compared with the previous month, and below 50.0 contraction.

The Business Activity Index remained above 50.0 in September, signalling a continuation of the current spell of rising services output that began in January 2013. The headline figure fell for the third month in succession, however, to 53.3, from August's 55.6, indicating the weakest rate of growth since April 2013. Correspondingly, the

average reading for the Index over the third quarter as a whole (55.4) was the weakest since the second quarter of 2013.

Services expansion slows further



The rate of expansion in new business slowed for the fifth time in six months in September. The overall pace of growth was the slowest since April 2013, but nonetheless in line with the average since the survey began in July 1996.

Some firms reported hesitation among clients in placing new contracts, linked to global economic uncertainty. The forward-looking indicator for business expectations fell to a 13-month low in September, but still signalled solid overall growth.

New business intakes were sufficiently solid to generate a further increase in the level of outstanding business in September. Backlogs have risen continuously over the past two-and-a-half years with the exception of a marginal decline in June. That said, the latest increase was only slight.

In contrast to the trends seen for activity and new business, employment at service providers rose at a stronger rate in September. The rate of job creation was the strongest since June, and took the current sequence of increases to 33 months.

Inflationary pressures remained relatively weak in September. Average input prices rose at a slightly faster pace than August's seven-month low, linked to salaries, but one that remained weak in the context of historic survey data. Charges levied by service providers continued to rise only marginally.

Comment

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

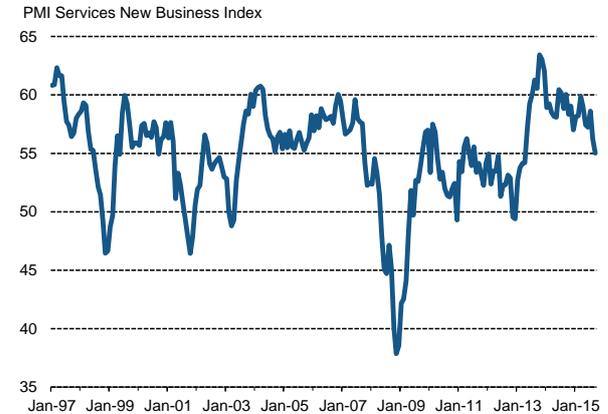
"The rate of economic growth slowed to a two-and-a-half year low in September, according to PMI survey data, suggesting that the economy sank further into a soft patch at the end of the third quarter.

"The survey data indicate that GDP growth slowed to 0.5% in the third quarter, but that the economy is entering the fourth quarter at a pace down to just 0.3%.

"Weakness is spreading from the struggling manufacturing sector, hitting transport and other industrial-related services in particular. There are also signs that consumers have become more cautious and are pulling back on their leisure spending, such as on restaurants and hotels. Wider business service sector confidence has meanwhile also been knocked by global economic worries and financial market jitters.

"At the moment, sustained strong hiring in services and construction suggests that companies are generally expecting the slowdown to be short-lived. But with the three PMI surveys collectively recording the weakest inflows of new business for two-and-a-half-years, there's a strong likelihood that the slowdown could intensify in coming months."

Weakest rise in new business since April 2013



Source: Markit

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

"The further softening of growth in the services sector must now be causing some concern for the sustainability of the recent recovery in the UK economy.

"Respondents pointed to reluctance from clients in placing contracts, and their faith in business buffeted by a global economy suffering from sluggish activity. It appears that when China sneezes, the world catches a cold as some companies cited the region as a cause for worldwide concern.

"Employment levels were the only bright spot, showing a strong rise and at the most robust rate since June, though firms also reported an impact on costs with higher wages and concerns about the effects of the Living Wage.

"Almost half of procurement managers retained an upbeat view of business expectations, but overall sentiment was the weakest in 13 months. Business activity growth slowing to a 29-month low is not the best news from the sector."

The October Report on Services will be published on Wednesday November 4 2015 at 09:30 UK / UTC

-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

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.

About Markit

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About PMI

Purchasing Managers' Index[®] (PMI[®]) surveys are now available for over 30 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 procurement and supply management issues. CIPS has a global community of 114,000 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. www.cips.org

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