

## News Release

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

#### Service sector continues to recover from Brexit vote shock

##### Key findings:

- Activity rises but growth rate eases slightly
- New business grows at fastest rate since February
- Largest input cost rise since February 2013

Data collected September 12-28

The UK service sector continued to recover from July's EU referendum-induced shock, according to *PMI®* survey data for September from IHS Markit and CIPS.

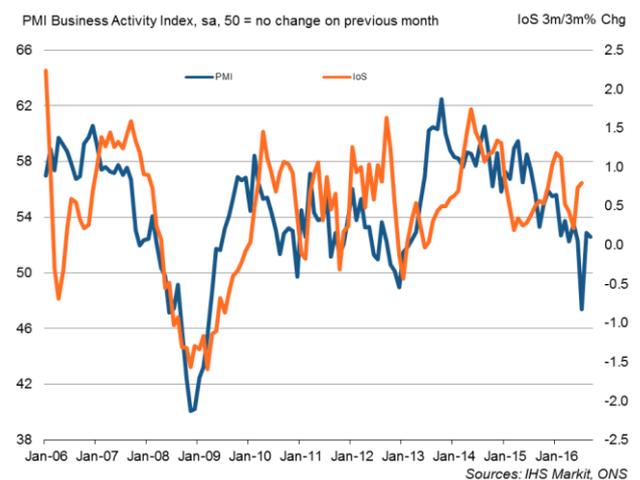
Business activity rose for the second month running, following a sharp drop in July linked to uncertainty surrounding the UK's vote to leave the European Union. Moreover, new business rose at the fastest pace since February and the rate of job creation picked up.

However, future expectations remained very low by historical standards and the survey recorded the sharpest increase in service sector input prices in over three-and-a-half years.

The survey's headline figure is the seasonally adjusted Markit/CIPS Services Business Activity PMI, a single-figure measure designed to track changes in total activity. Readings above 50.0 signal growth compared with the previous month, and below 50.0 contraction.

The Business Activity Index remained above the no-change mark of 50.0 in September, at 52.6, signalling growth of UK services output. Down slightly from 52.9 in August, the latest figure

#### Markit / CIPS UK Services PMI



indicated a further moderate rate of expansion at the end of the third quarter, following a contraction in July in the wake of the EU referendum. The rate of expansion in the latest period was weak in the context of historical data, however, with the Index below its long-run level of 55.1. The Index averaged 50.9 over Q3 as a whole, the lowest since Q4 2012.

The survey data signalled a strengthening trend in new business inflows, as companies reported new opportunities and customer enquiries, rising demand from overseas clients linked to the weak pound sterling and client confidence recovering after the initial Brexit vote shock. New business rose at the fastest pace since February, albeit with the rate of increase remaining below the long-run survey average.

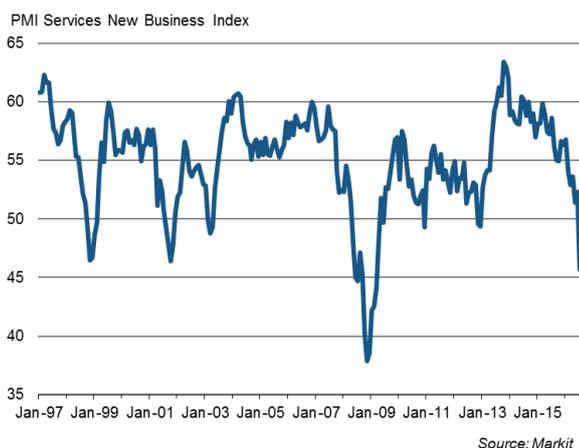
Stronger growth of new work led to a second successive month-on-month accumulation of outstanding business in September. This followed the steepest drop since September 2009 in July in the wake of the EU referendum.

Having resumed in August following July's pause, service sector employment continued to rise at the end of the third quarter. Moreover, the rate of job creation accelerated to the fastest since April.

Business expectations continued to recover from July's seven-and-a-half year low. Sentiment was the strongest in three months, but still weak in the context of historic survey data as firms reported ongoing uncertainty regarding the implications of Brexit.

The weakness of sterling continued to exert upward pressure on costs in September. Input price inflation accelerated for the seventh time in eight months to the highest since February 2013, and was greater than the 20-year long-run survey average. Subsequently, service providers raised their charges at the fastest rate since January 2014.

### UK Services New Business



### Comments

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

*“The survey results suggest that the economy has regained modest growth momentum since the EU referendum, with further service sector expansion accompanied by a return to growth in construction and an especially strong revival of manufacturing.*

*“Across the three sectors, the pace of economic growth signalled was the strongest since January, fuelling greater job creation as companies shrugged off short-term Brexit worries and enjoyed the benefits of a weaker currency.*

*“The improvement suggests the economy has regained a growth rate of approximately 0.3% after recovering from the initial shock of the EU referendum in late-June. If July's low is included, the PMI surveys point to a mere 0.1% expansion of GDP in the third quarter, but this probably overstates the weakening in the rate of growth.*

*“The solid PMI readings for September will cast doubt on the need for any further stimulus from the Bank of England in coming months. It's clear, however, that the pace of expansion has cooled since the first half of the year, reflecting widespread concern about the potential future impact of Brexit. As such, the economy remains vulnerable to further setbacks and the need for policy action later in the year cannot be ruled out.”*

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

*“Policymakers were offered much-needed positive news for September after the recent Brexit upheaval, as the service sector reported the fastest increase in new business since February this year. Though the overall activity index still remained below its long-term average and had dipped slightly compared to August, it reflected a modest revival of fortunes for services businesses.*

*“Employment increased for the second month in a row, and at its fastest rate for five months, as postponed recruitment drives were given the go-ahead and firms addressed the demands of new project launches and increased export orders.*

*“Input prices continued to remain a threat to margins, rising at the strongest rate since February 2013. Firms raised their prices in response, to counteract increased costs for fuel, food and elevated wage bills and as the weaker pound had an effect. Work backlogs rose for the second month though some capacity was still available as firms played catch-up after the Brexit lull.*

*“Though business optimism improved further from July's seven-and-a-half-year low, and was the strongest for three months, disquiet around Brexit still remained. The sector concentrated on stabilising rather than forging ahead with confidence, as optimism stayed below the long-term average.”*

- Ends -

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### Note to Editors:

The October UK Services PMI will be published on Thursday November 3 2016 at 09:30 UK / 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 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@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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#### 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 118,000 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](http://www.cips.org)

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