



IHS MARKIT / CIPS UK SERVICES PMI®

Service economy returns to growth in March, spurred by sharp rise in new orders ahead of lockdown easing

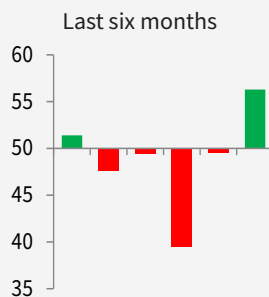
KEY FINDINGS

Strong increases in output and incoming new work

Employment rises for first time since the pandemic began

Input price inflation accelerates to its highest for 33 months

UK SERVICES BUSINESS ACTIVITY INDEX



UK service providers reported a strong rebound in business conditions during March, with activity, new orders and employment all picking up since the previous month. Renewed job creation in March represented the first overall expansion of staffing numbers across the service sector since the start of the coronavirus disease 2019 (COVID-19) pandemic.

The forthcoming easing of government stringency measures also contributed to another improvement in business expectations for the year ahead. Around 66% of the survey panel forecast an increase in activity over this period, while only 8% predict a fall. This signalled the strongest optimism since December 2006.

At 56.3 in March, up sharply from 49.5 in February, the headline seasonally adjusted IHS Markit/CIPS UK Services PMI® Business Activity Index posted above the 50.0 no-change level for the first time since October 2020. Moreover, the latest reading signalled the fastest rate of output expansion for seven months.

Rising levels of activity were linked to a recovery in business and consumer spending, while some parts of the service economy commented on a boost from higher residential property transactions during March. Survey respondents often commented on pent up demand and work on projects that had been delayed at an earlier stage of the pandemic.

Stronger client demand and forward bookings ahead of easing lockdown measures contributed to an increase in total new work for the first time in six months. The rate of

new business expansion was the fastest since last August, despite a sustained reduction in export sales. Subdued orders from abroad were typically attributed to either international travel restrictions or Brexit issues with sales to EU customers. Where growth was reported, service providers mostly commented on rising demand from clients in Asia and the US.

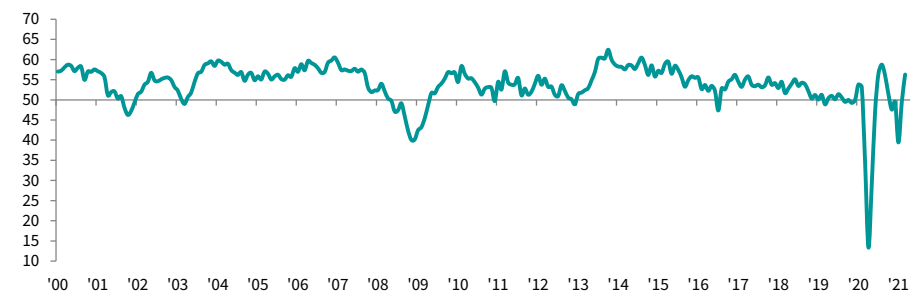
The sharp increase in new work recorded during March led to renewed pressure on business capacity. This was signalled by an accumulation of backlogs across the service sector for the first time since September 2020. Forward bookings and improving confidence about the business outlook encouraged staff hiring in March. Although only modest, the rate of job creation was the fastest since June 2019.

Meanwhile, the latest survey indicated a steep and accelerated increase in average cost burdens at service sector companies. The overall rate of input price inflation was the highest for nearly three years. Greater operating expenses were attributed to higher prices for a range of purchases, especially fuel, transportation and imported materials. As a result, prices charged by service providers rose at the sharpest pace since November 2017.

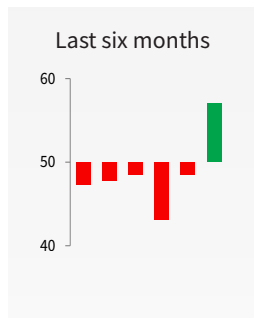
March data pointed to an improvement in business expectations for the fifth consecutive month. Optimism about growth prospects for the year ahead were overwhelmingly linked to the roadmap for looser pandemic restrictions and confidence about recovery prospects due to the successful UK vaccine rollout.

Services Business Activity Index

sa, >50 = growth since previous month



NEW BUSINESS INDEX

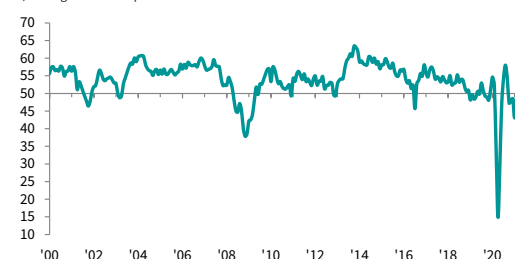


UK service providers recorded a sharp rebound in new work during March. The seasonally adjusted New Business Index registered above the 50.0 no-change value for the first time in six months and signalled the strongest rate of expansion since August 2020.

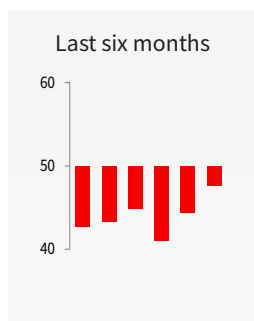
Survey respondents widely commented on a boost to sales from the forthcoming easing of pandemic restrictions, particularly in relation to forward bookings for consumer services.

New Business Index

sa, >50 = growth since previous month



NEW EXPORT BUSINESS INDEX

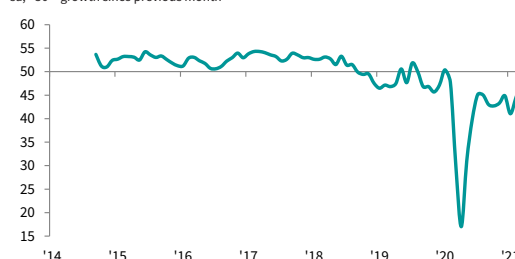


In contrast to the trend for total new work, latest data indicated a further reduction in export sales across the UK service sector. The seasonally adjusted New Export Business Index has posted in negative territory in each month since February 2020. That said, the rate of decline in March was the slowest for 13 months.

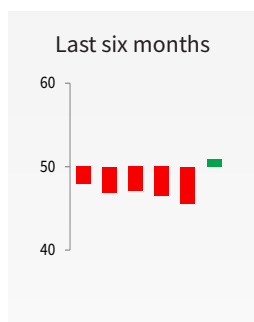
Lower volumes of new business from abroad were again linked to a combination of international travel restrictions and Brexit-related difficulties. Where growth was reported, this often reflected rising sales to clients in Asia and the United States.

New Export Business Index

sa, >50 = growth since previous month



OUTSTANDING BUSINESS INDEX

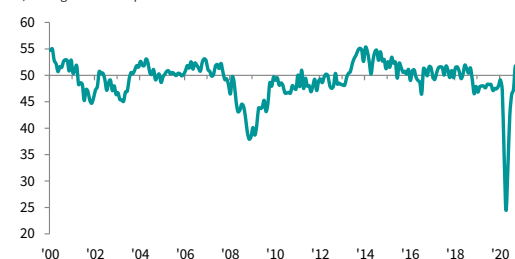


March data indicated a renewed accumulation of unfinished work at service sector companies, which ended a five-month period of decline. However, the seasonally adjusted Outstanding Business Index signalled only a marginal rate of expansion.

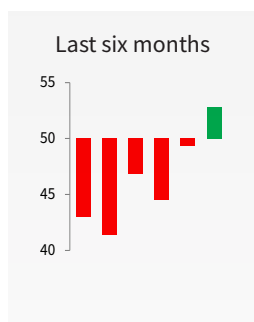
Companies reporting an increase in backlogs mostly cited a sharp rebound in new orders and stretched business capacity.

Outstanding Business Index

sa, >50 = growth since previous month



EMPLOYMENT INDEX

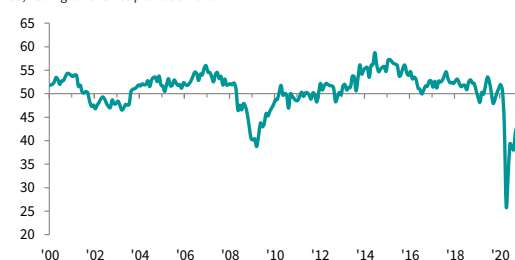


The seasonally adjusted Employment Index moved back above the 50.0 no-change mark in March, to signal an increase in staffing numbers across the service economy for the first time since February 2020. Although only modest, the rate of job creation was the fastest for just under two years.

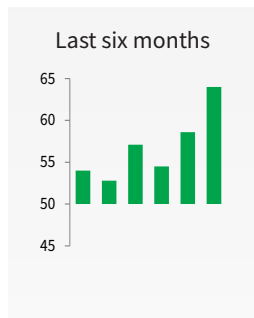
Higher levels of employment were attributed to greater customer demand, as well as preparations for reopening and an anticipated recovery in workloads in the coming months.

Employment Index

sa, >50 = growth since previous month



INPUT PRICES INDEX

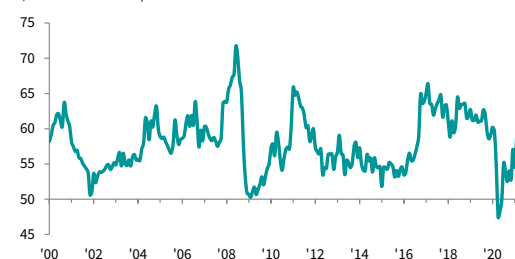


Operating expenses increased at a sharp and accelerated pace in March. This was signalled by a rise in the seasonally adjusted Input Prices Index to its highest level since June 2018.

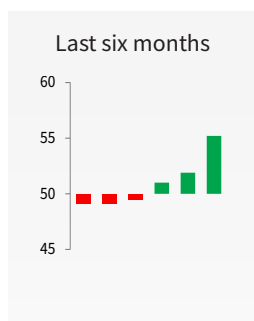
Strong input cost inflation was attributed to higher prices for a wide range of items, including fuel and other transportation expenses, staff salaries, imported materials and utility bills.

Input Prices Index

sa, >50 = inflation since previous month



PRICES CHARGED INDEX

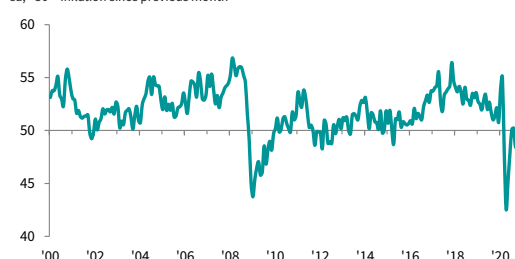


March data suggested an increased willingness among service providers to pass on higher input costs to customers, with average prices charged rising at the fastest pace for just over three years.

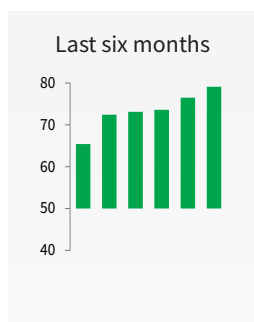
The seasonally adjusted Prices Charged Index has now registered above the neutral 50.0 threshold in each of the past three months and the latest reading signalled a sharp acceleration since February.

Prices Charged Index

sa, >50 = inflation since previous month



FUTURE ACTIVITY INDEX



Around two-thirds (66%) of the survey panel expect an increase in business activity during the year ahead, while only 8% forecast a reduction. The resulting Future Activity Index was well above the 50.0 no-change value in March and signalled the strongest optimism since December 2006.

Higher levels of confidence overwhelmingly reflected positive sentiment regarding the reopening of the UK economy and expectations of pent up consumer demand.

Future Activity Index

>50 = growth expected over next 12 months



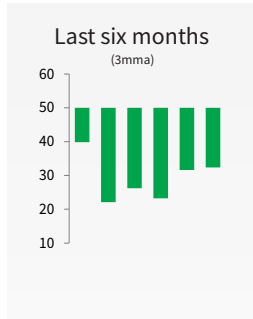
INDEX SUMMARY

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Business Activity	New Business	New Export Business	Outstanding Business	Employment	Input Prices	Prices Charged	Future Activity*
10 '20	51.4	47.3	42.7	47.9	43.0	54.0	49.1	65.4
11 '20	47.6	47.8	43.3	46.9	41.4	52.8	49.1	72.4
12 '20	49.4	48.5	44.9	47.1	46.8	57.1	49.5	73.1
01 '21	39.5	43.1	41.0	46.5	44.5	54.5	51.0	73.6
02 '21	49.5	48.5	44.4	45.6	49.3	58.6	51.9	76.5
03 '21	56.3	57.0	47.7	50.9	52.8	64.0	55.2	79.1

SERVICES SUB-SECTORS: THREE-MONTH MOVING AVERAGE

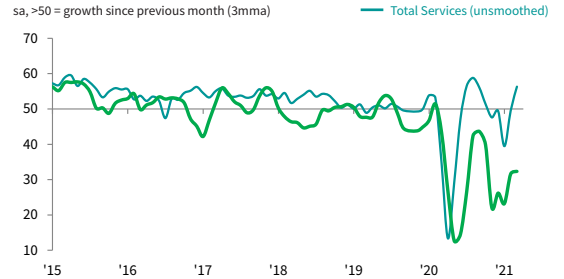
HOTELS, RESTAURANTS & CATERING



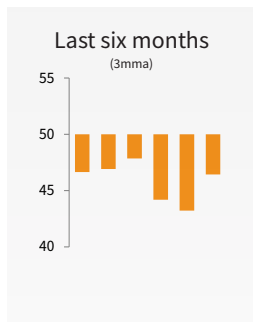
Hotels, Restaurants & Catering was by far the hardest-hit category during the national lockdown in the first quarter of 2021, with restrictions on trade resulting in another steep reduction in business activity. However, survey respondents widely commented on signs of pent up demand from forward bookings during March.

Business confidence regarding the year ahead outlook improved to its highest since the three months to April 2004.

Business Activity Index



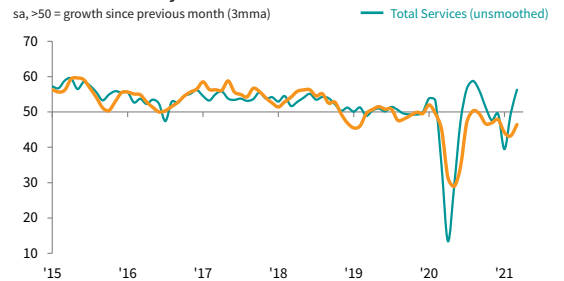
TRANSPORT & COMMUNICATION SERVICES



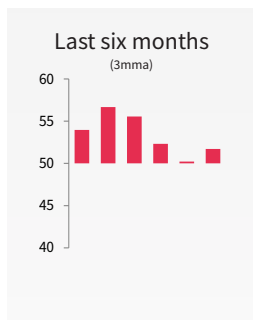
Business activity in the Transport & Communications Services sub-sector decreased on average in the three months to March, but the rate of decline eased in comparison to the trend seen earlier this year.

Strong cost pressures continued during the latest survey period, with the rate of input price inflation accelerating to its fastest since the summer of 2018 and exceeding that seen in all other categories.

Business Activity Index



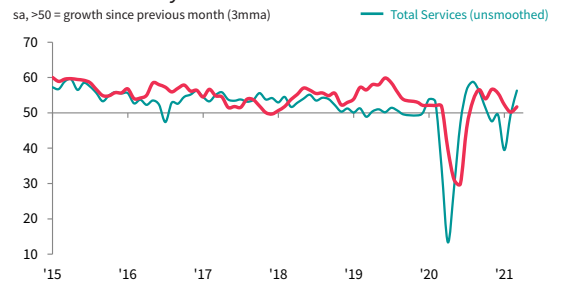
COMPUTING & IT SERVICES



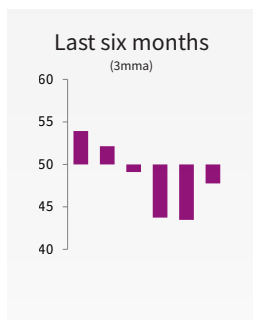
Computing & IT Services regained momentum in the latest three-month period and remained one of the best-performing categories of service activity.

A robust rate of job creation was maintained in the first quarter of 2021, with the rate of employment growth the strongest of all sub-categories monitored by the survey.

Business Activity Index



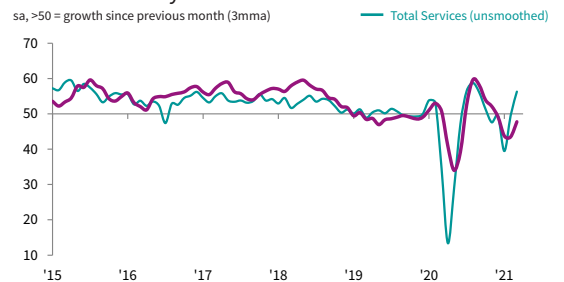
FINANCIAL INTERMEDIATION



The first quarter of 2021 saw a modest drop in business activity across the Financial Intermediation sub-sector, but the rate of decline eased sharply from the three months to February.

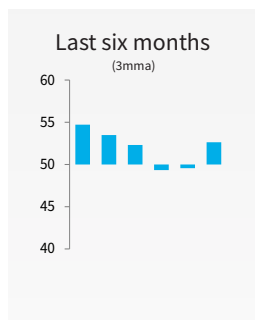
Financial Intermediation companies signalled another rise in staffing numbers and the rate of job creation accelerated to its strongest for one year in the three months to March.

Business Activity Index



SERVICES SUB-SECTORS

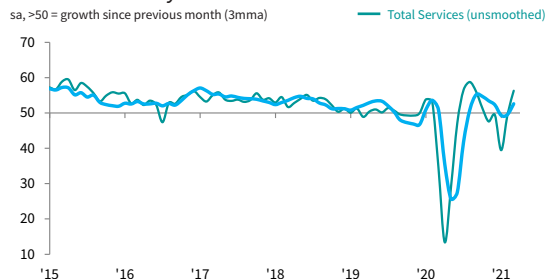
BUSINESS-TO-BUSINESS SERVICES



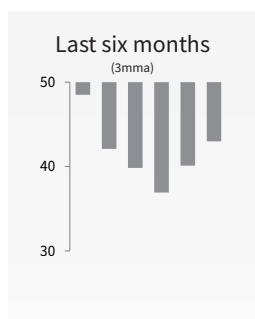
Business-to-Business services was the best-performing category during the three months to March. Output increased at a solid pace over this period, which survey respondents linked to greater demand from clients in advance of easing pandemic restrictions and in response to recovering economic conditions.

The business services sub-sector also registered an increase in staffing levels for the first time since the pandemic began.

Business Activity Index



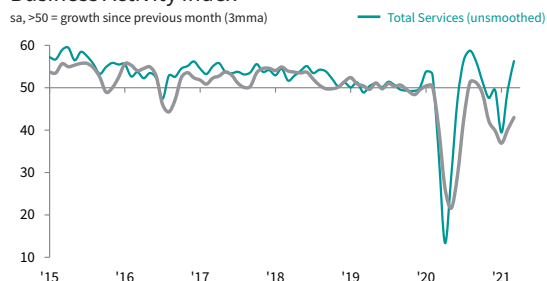
OTHER PERSONAL & COMMUNITY SERVICES



Other Personal & Community Services posted another sharp drop in business activity during the three months to March, largely reflecting tight restrictions on trade due to the national lockdown.

However, business optimism regarding activity growth in the next 12 months continued to improve during the latest survey period. The degree of confidence reached its highest since August 2015.

Business Activity Index



Services Sub-sector Index Summary, Jan '21 - Mar'21

sa, 50 = no change over previous month (3mma). *50 = no change over next 12 months (3mma).

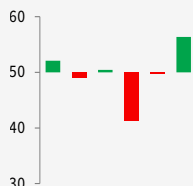
	Business Activity	New Business	Outstanding Business	Employment	Input Prices	Prices Charged	Future Activity*
Hotels, Restaurants & Catering	32.4	27.7	42.6	36.7	59.9	49.0	78.7
Transport & Communication Services	46.4	42.6	43.6	45.6	65.4	58.2	67.4
Computing & IT Services	51.7	50.9	51.9	54.8	58.6	53.5	80.7
Financial Intermediation	47.8	49.5	47.4	52.7	55.6	50.8	70.6
Business-to-Business Services	52.6	53.0	50.9	52.2	59.8	51.7	72.4
Other Personal & Community Services	43.0	45.2	39.3	43.8	58.8	50.7	74.9

IHS MARKIT UK COMPOSITE PMI®

Fastest rise in UK private sector output since September 2020

COMPOSITE OUTPUT INDEX

Last six months



March data pointed to a renewed increase in business activity across the UK private sector as a whole, reflecting robust rises in manufacturing production and service sector output.

The seasonally adjusted UK Composite Output Index registered 56.4, up from 49.6 in February and above the neutral 50.0 threshold for the first time in 2021 to date. Moreover, the latest reading signalled the strongest rate of output growth for six months. The index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index*.

Manufacturing production (index at 56.6) picked up at a fractionally sharper pace than service activity during March (56.3). In both sectors, higher levels of output were supported by strong new business growth and additional staff hiring. Latest data indicated the greatest increase in

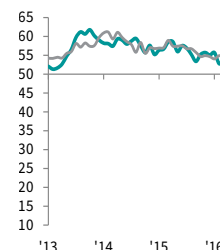
private sector employment since February 2018.

Strong cost pressures continued in March, led by a rapid rise in purchasing prices across the manufacturing sector. Measured overall, input cost inflation across the UK private sector economy was the fastest for just over four years. Higher operating expenses were often passed on to clients in March, with average prices charged increasing at the strongest rate since November 2017.

**Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.*

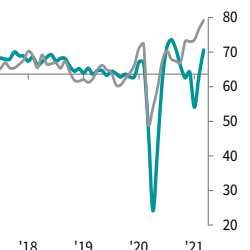
Output Index

sa, >50 = growth since previous month



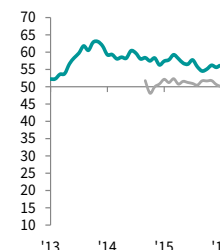
Future Output Index

>50 = growth expected over next 12 months



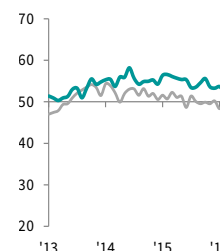
New Business Index / New Export Business Index

sa, >50 = growth since previous month



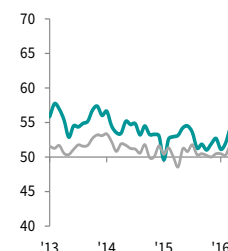
Employment Index / Outstanding Business Index

sa, >50 = growth since previous month



Input Prices Index / Output Prices Index

sa, >50 = inflation since previous month



Composite Index summary

sa, 50 = no change over previous month. *50 = no change over next 12 months.

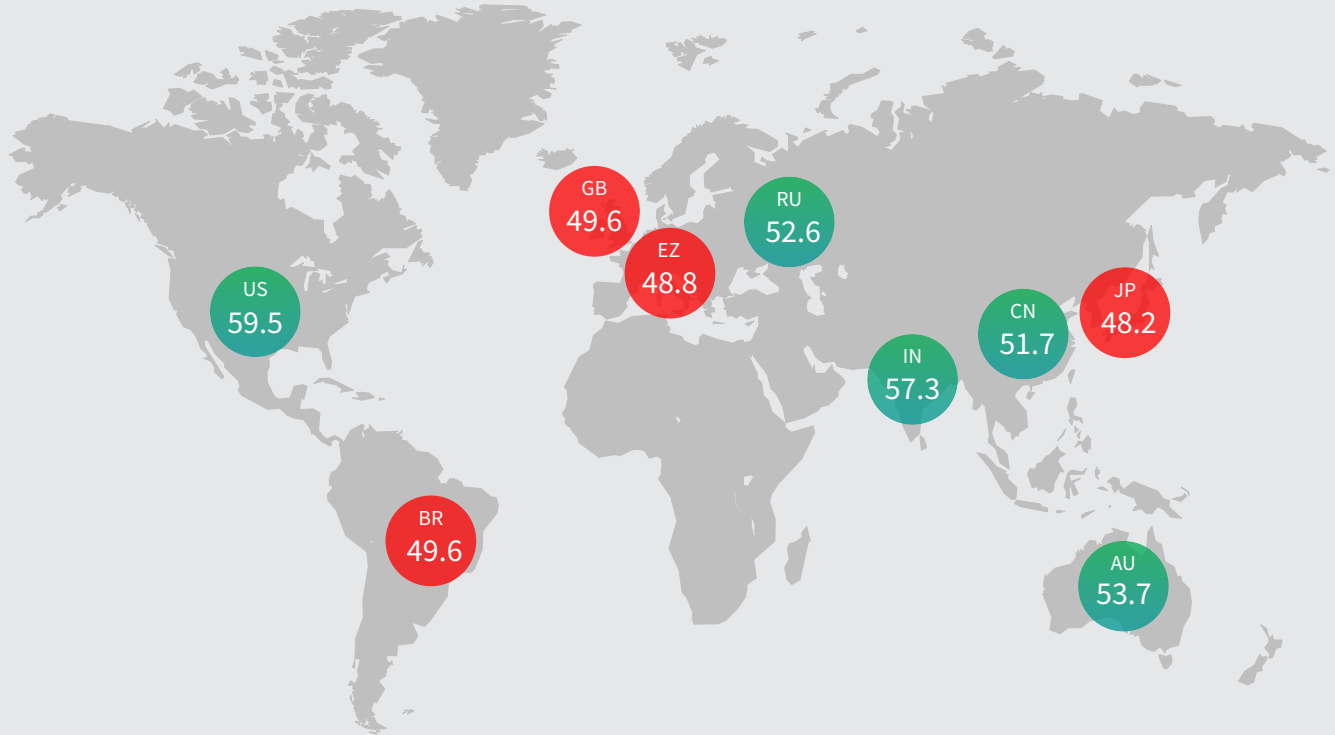
	Output	New Business	New Export Business	Outstanding Business	Employment	Input Prices	Output Prices	Future Output*
10 '20	52.1	48.5	49.0	47.9	43.4	54.8	49.7	67.0
11 '20	49.0	48.9	50.0	47.4	42.3	54.1	49.9	73.1
12 '20	50.4	49.8	50.8	47.8	47.2	58.8	50.4	73.0
01 '21	41.2	44.1	45.0	47.2	45.5	58.1	52.1	73.6
02 '21	49.6	49.2	47.6	46.3	49.7	62.0	53.4	76.7
03 '21	56.4	57.0	49.8	51.2	53.3	66.6	56.5	79.2

INTERNATIONAL PMI

Composite Output Index, Feb '21

sa, >50 = growth since previous month

The Composite Output Index is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index.



Composite Output Index

sa, >50 = growth since previous month



Methodology

The IHS Markit / CIPS UK Services PMI® is compiled by IHS Markit from responses to questionnaires sent to a panel of around 650 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

March data were collected 12-29 March 2021.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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