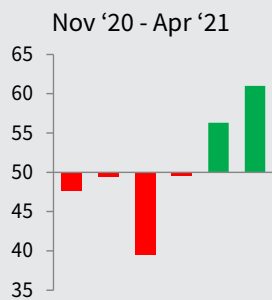




UK Services Business Activity Index



Fastest rise in service sector output since October 2013

Job creation accelerates to five-and-a-half year peak

Input cost inflation intensifies during April

The performance of the UK service sector strengthened again during April, driven by sharp increases in business and consumer spending. Survey respondents widely attributed the improvement in demand to looser pandemic restrictions and high levels of optimism regarding the near-term economic outlook. Confidence in the sustainability of the recovery was also reflected in greater staff hiring, with employment growth accelerating to its fastest since October 2015.

Adjusted for seasonal influences, the headline IHS Markit/CIPS UK Services PMI® Business Activity Index registered 61.0 in April, up from 56.3 in March and the highest reading since October 2013. Any reading above 50.0 signals an overall expansion of service sector output.

Service providers noted that the roadmap for easing COVID-19 restrictions across the UK had been a key factor helping

to lift activity. There was a direct boost to output from the reopening of some customer-facing parts of the economy in April, as well as a positive impact on the rest of the service sector due to improving business and consumer confidence.

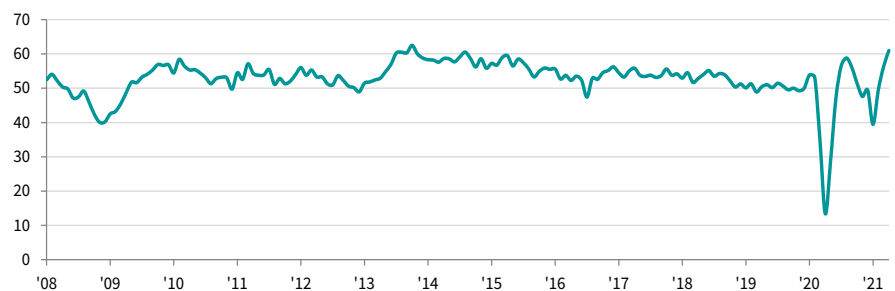
New order volumes increased for the second month running in April and the rate of expansion was the steepest since December 2013. Service providers reported that the improved pandemic situation and strong optimism towards the UK economic outlook had led to a sharp rise in forward bookings and new projects starts.

Sales to overseas customers remained relatively subdued, largely reflecting tight restrictions on international travel and hesitancy among clients due to the pandemic. However, latest data indicated a marginal overall rise in new work from abroad, which ended a 14-month period

continued...

UK Services Business Activity Index

sa, >50 = growth since previous month



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of decline. Companies reporting an increase in export orders mostly cited greater demand from clients in Asia and the United States.

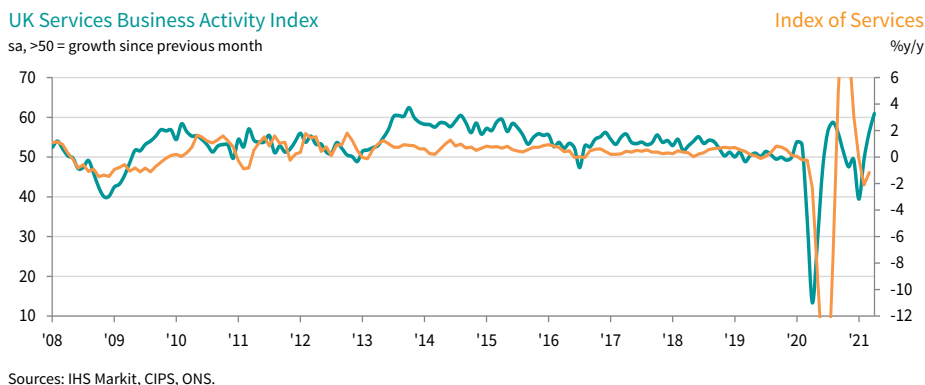
Stronger demand encouraged a faster pace of job creation across the service sector in April. The latest survey pointed to the sharpest increase in employment for five-and-a-half years. Despite efforts to rebuild business capacity, backlogs of work rose at the steepest rate since March 2015. Survey respondents often noted that a combination of better-than-expected demand and subsequent staff shortages was the main reason for an accumulation of unfinished business.

April data highlighted that elevated inflationary pressures persisted across the service economy. Input prices rose at the strongest pace for just over four years.

The wide range of factors cited as pushing up operating costs included transport surcharges, staff wages, and the pass through of higher imported raw material costs by suppliers.

Efforts to mitigate rising input prices resulted in a robust increase in average charges among service providers during April. However, the rate of prices charged inflation moderated very slightly from the 40-month high seen in March.

Looking ahead, service sector firms overwhelmingly anticipate an upturn in business activity during the next 12 months. Around 65% of the survey panel forecast an expansion, while only 7% predict a decline. The resulting business expectations index was only fractionally lower than March's 14-year peak.



Comment

Tim Moore, Economics Director at IHS Markit, which compiles the survey:

"April data illustrates that a surge of pent up demand has started to flow through the UK economy following the loosening of pandemic restrictions, which lifted private sector growth to its highest since October 2013. The roadmap for reopening leisure, hospitality and other customer-facing activities resulted in a sharp increase in forward bookings and new project starts across the service sector. If the rebound in order books continues along its recent trajectory during the rest of the second quarter, then service sector output growth looks very likely to surpass the survey-record high seen back in April 1997."

"The successful vaccine roll out continued to underpin expectations of a strong recovery in the year ahead, with service providers responding by boosting employment and investment spending during April. Job creation was the strongest for five-and-a-half years and, for the first time since the start of the pandemic, there were reports citing staff shortages as a factor holding back growth."

"Inflationary pressures remained a concern for service providers in April, with higher staff costs, transport bills and raw material prices all adding to business expenses. The overall rate of input cost inflation was the fastest since February 2017, which resulted in another strong increase in average prices charged for business and consumer services."

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

"Service sector companies were creating jobs at a level last seen since in October 2015 and paying more in wages to get the best talent; a sign of ever-increasing confidence about the year ahead. This chipper atmosphere was built on a solid foundation of the biggest rise in activity since October 2013 as firms enjoyed a deluge of new work following lockdown easing and improved economic conditions."

"While salaries, transport charges and raw material shortages were driving up operating costs at considerable levels, companies felt comfortable enough to charge their customers more, as price rises equalled late 2017 rates."

"This positive trend in recovery is likely to accelerate in the coming months, but stretched supply chains remain a sticking point, along with inflation potentially biting chunks out of wages and business margins, threatening to put a brake on this fast track to economic normality."



Activity and demand

Business activity

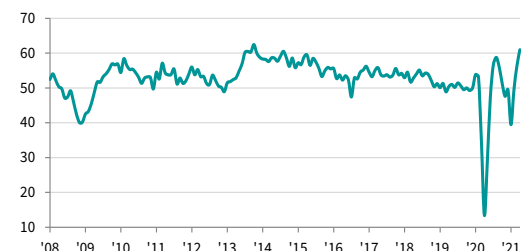
April data pointed to a sharp and accelerated increase in business activity across the UK service sector. The index signalled the fastest pace of expansion since October 2013. Survey respondents mostly commented on higher activity due to the easing of lockdown restrictions, alongside a general improvement in business and consumer confidence.

Business Activity Index

sa, >50 = growth since previous month

61.0

Apr '21



New business

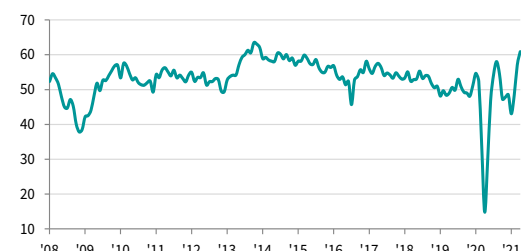
Service providers reported a rise in new order volumes for the second month running during April. Moreover, the rate of new business growth gained momentum since the previous survey period, as signalled by the respective index reaching its highest level since December 2013. Stronger client demand was widely linked to forward bookings in response to the roadmap out of lockdown and greater confidence regarding the near-term economic outlook.

New Business Index

sa, >50 = growth since previous month

60.9

Apr '21



New export business

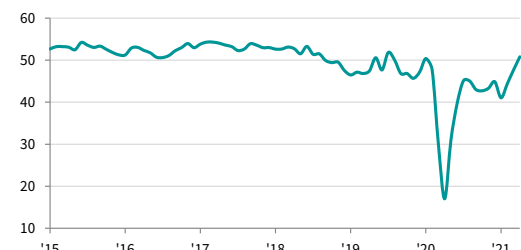
The seasonally adjusted New Export Business Index registered above the 50.0 threshold for the first time since January 2020. A return to growth in April ended a 14-month period of falling sales to overseas customers. That said, the rate of growth was only marginal. Higher levels of new work from abroad were mostly attributed to greater corporate spending among clients in Asia and the US.

New Export Business Index

sa, >50 = growth since previous month

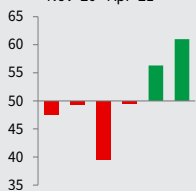
50.8

Apr '21



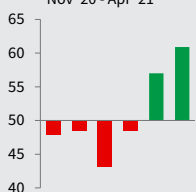
Business Activity Index

Nov '20 - Apr '21



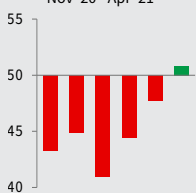
New Business Index

Nov '20 - Apr '21



New Export Business Index

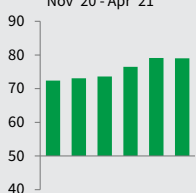
Nov '20 - Apr '21



Business expectations

Future Activity Index

Nov '20 - Apr '21



Almost two-thirds of the survey panel (65%) anticipate an increase in business activity over the year ahead, while only 7% forecast a decline. The resulting Future Activity Index was well above the 50.0 no-change value in April and only fractionally weaker than March's 14-year high. Positive sentiment was primarily linked to the successful vaccine roll out and expectations of a strong rebound across the UK economy during the coming months.

Future Activity Index

>50 = growth expected over next 12 months

79.0

Apr '21



Employment and capacity

Employment

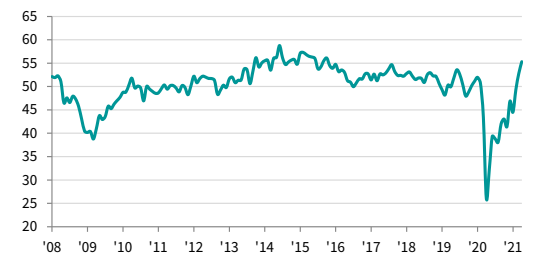
Staffing levels picked up again during April, as signalled by the seasonally adjusted Employment Index posting above the 50.0 no-change mark for the second month running. The latest reading was the highest for five-and-a-half years and pointed to a robust rate of job creation. Survey respondents often commented on efforts to boost headcounts in response to greater demand and positive expectations towards forthcoming workloads.

Employment Index

sa, >50 = growth since previous month

55.3

Apr '21



Outstanding business

The volume of work-in-hand (but not yet completed) continued to increase across the service sector during April. Although only modest, the rate of backlog accumulation was the sharpest for just over six years.

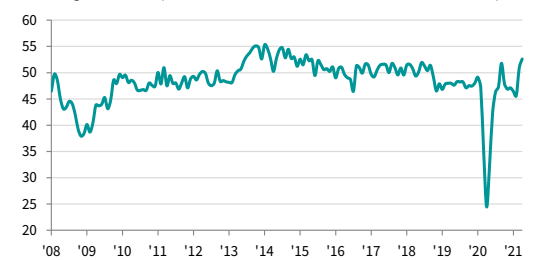
Companies reporting a rise in unfinished business often cited stronger-than-expected client demand. Some panel members also noted that staff shortages had contributed to greater pressure on business capacity.

Outstanding Business Index

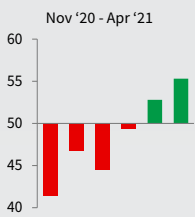
sa, >50 = growth since previous month

52.6

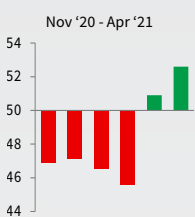
Apr '21



Employment Index



Outstanding Business Index



Prices

Input prices

Operating expenses continued to rise at a sharp pace in April. The seasonally adjusted Input Prices Index pointed to the fastest rate of overall cost inflation since February 2017.

Survey respondents commented on a wide range of factors leading to higher input prices, including transport surcharges, staff wages, and the pass through of higher imported raw material costs by suppliers.

Prices charged

April data pointed to another robust increase in average selling prices among UK service providers. Moreover, the rate of inflation was only fractionally slower than March's 40-month high.

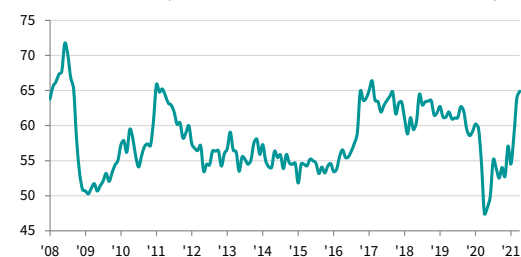
The most commonly cited reason for rising charges was greater payroll costs, followed by a steep increase in raw material prices.

Input Prices Index

sa, >50 = inflation since previous month

64.9

Apr '21

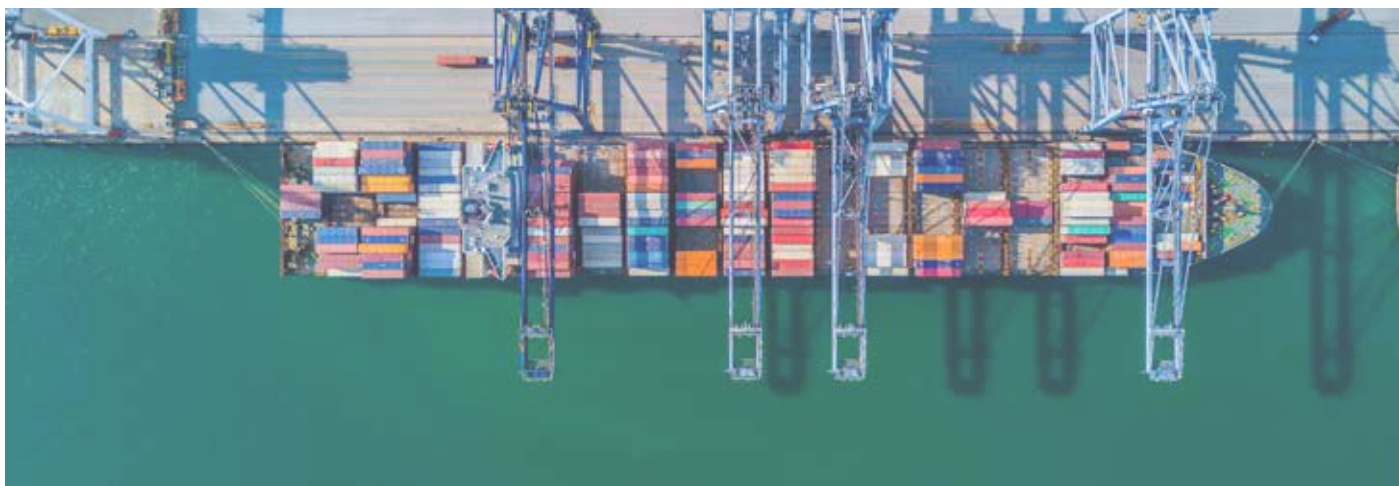
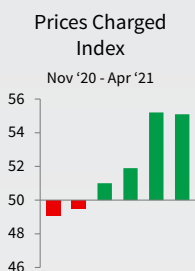
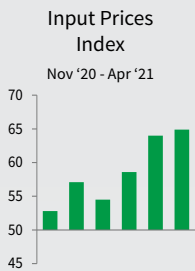
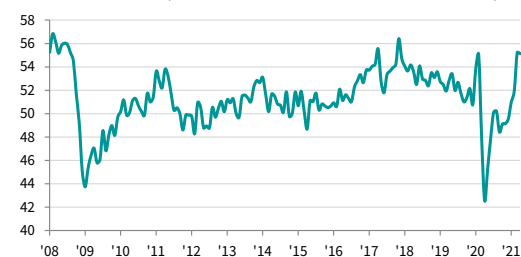


Prices Charged Index

sa, >50 = inflation since previous month

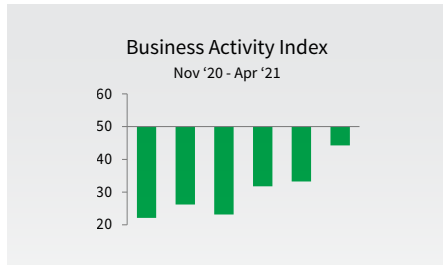
55.1

Apr '21



Services sub-sectors: Three-month moving average

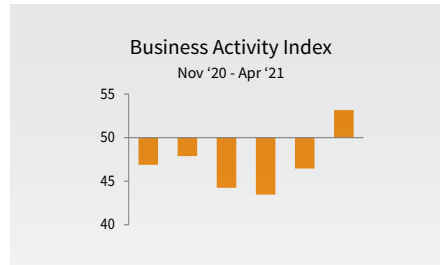
Hotels, restaurants & catering



Despite a boost to some businesses from looser pandemic restrictions in April, Hotels, Restaurants & Catering remained the weakest-performing category during the latest three-month period.

However, forward bookings as a result of the roadmap for reopening meant that the sub-sector was the most optimistic about the year ahead outlook. The degree of positive sentiment hit a 24-year high in the three months to April.

Transport & communication



Transport & Communication Services returned to growth in the three months to April. Moreover, the rate of business activity expansion was the strongest since the summer of 2018.

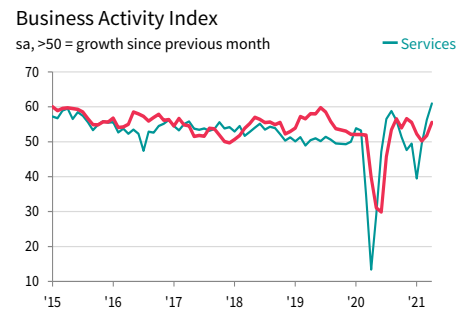
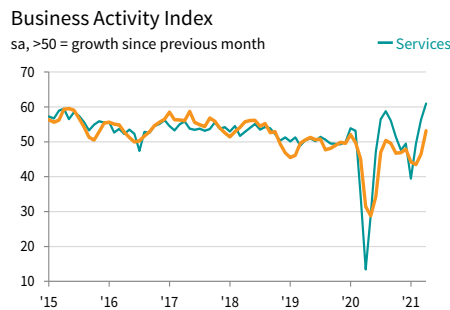
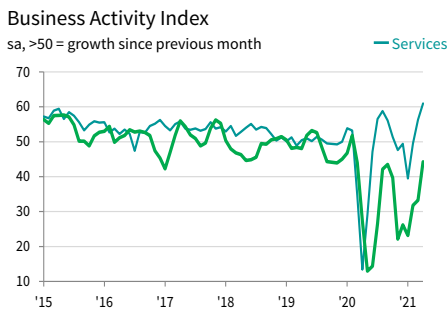
Severe price pressures continued in the sub-sector, with cost inflation exceeding that seen in all other parts of the service economy during the three months to April.

Computing & IT services



Business activity increased at a robust and accelerated pace in the Computing & IT Services sub-sector. This continued the run of sustained expansion seen since the three months to August 2020.

Job creation in the Computing & IT Services category picked up again during the three months to April, with employment numbers rising at the fastest rate since the third quarter of 2019.



Sub-sector data are smoothed as a three-month average. Total services data are unsmoothed.



Services sub-sectors: Three-month moving average

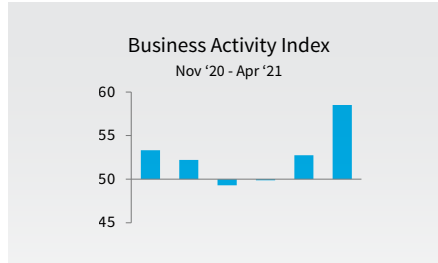
Financial intermediation



Companies in the Financial Intermediation sub-sector gained a considerable degree of momentum during the three months to April, which contrasted with the soft patch seen at the start of the third national lockdown in 2021.

New work also rebounded during the latest survey period and the improvement in order books was the strongest for three years. This contributed to robust staff hiring, with jobs growth exceeding that seen in all other sub-sectors.

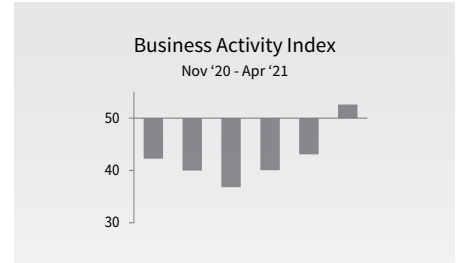
Business-to-business services



Business-to-business services reported a faster rate of activity growth than the other five categories monitored during the three months to April. The latest expansion of output levels was the strongest since late-2014.

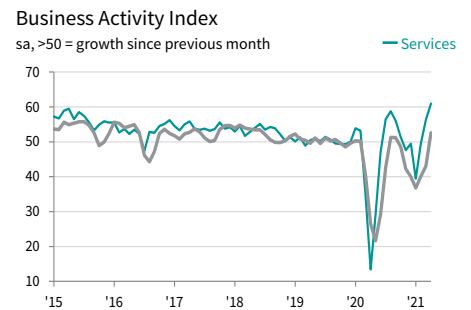
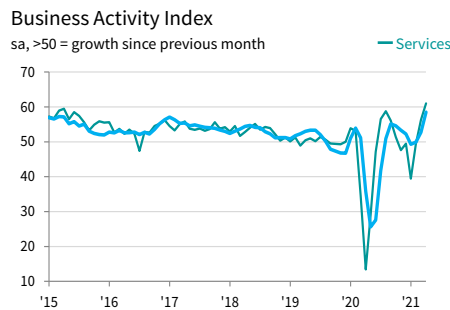
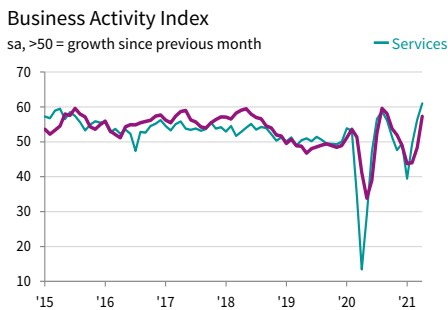
Growth expectations for the year ahead continued to improve at business-to-business service providers. Latest data showed that optimism reached its highest for nearly seven years.

Other personal & community services



Other Personal & Community Services posted a return to growth in the latest three-month period, driven by a surge in demand during April following the restart of many customer-facing activities.

Looking ahead, businesses in the sub-sector are more confident about activity growth than at any time since the summer of 2015.



Sub-sector data are smoothed as a three-month average. Total services data are unsmoothed.



IHS Markit / CIPS UK Composite PMI®

Strongest UK private sector output growth since October 2013

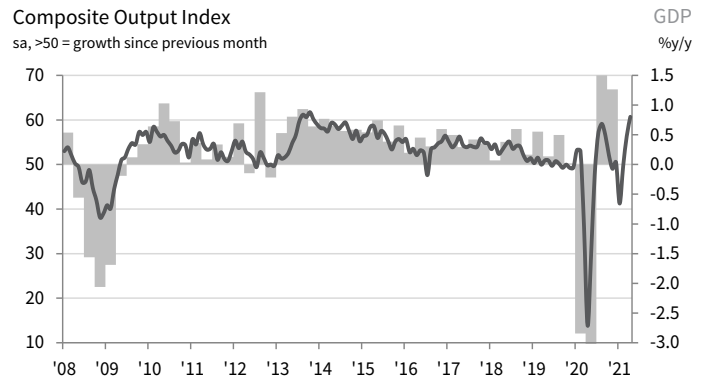
At 60.7 in April, up from 56.4 in March, the seasonally adjusted UK Composite Output Index posted above the 50.0 no-change mark for the second month running. The latest reading signalled the fastest increase in private sector business activity for seven-and-a-half years. The index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index*.

For the first time since February 2020, output across the service economy (index at 61.0) expanded at a stronger pace than manufacturing production (index at 59.2). Both sectors recorded much sharper rates of growth than in March. Manufacturers signalled the steepest upturn in output since last August, while service providers experienced the quickest increase in activity since October 2013.

Mirroring the trend for output, April data indicated that job creation across the service sector exceeded that seen among manufacturing companies. The overall rate of private sector employment growth was the fastest since October 2015.

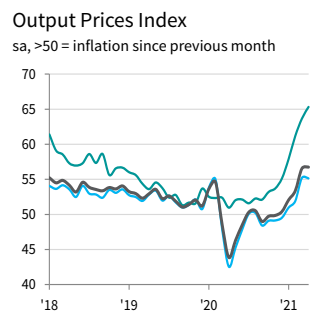
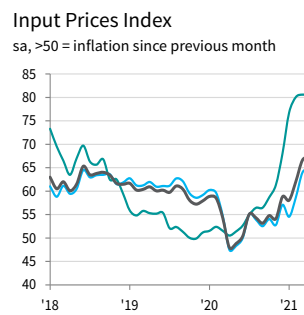
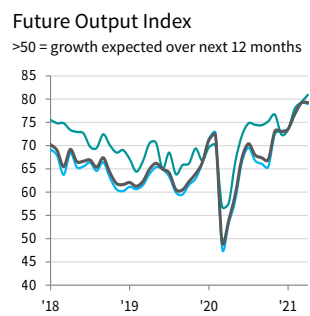
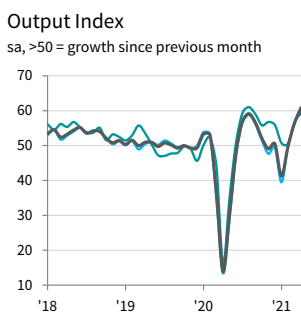
Sharp rates of input price inflation were seen during April, led by another rapid increase in average cost burdens in the manufacturing sector. As a result, prices charged by private sector firms rose at the quickest pace since November 2017. Despite ongoing price pressures, business optimism improved again, with private sector growth expectations the strongest since this index began in July 2012.

[Composite](#) / [Manufacturing](#) / [Services](#)



Sources: IHS Markit, CIPS, ONS.

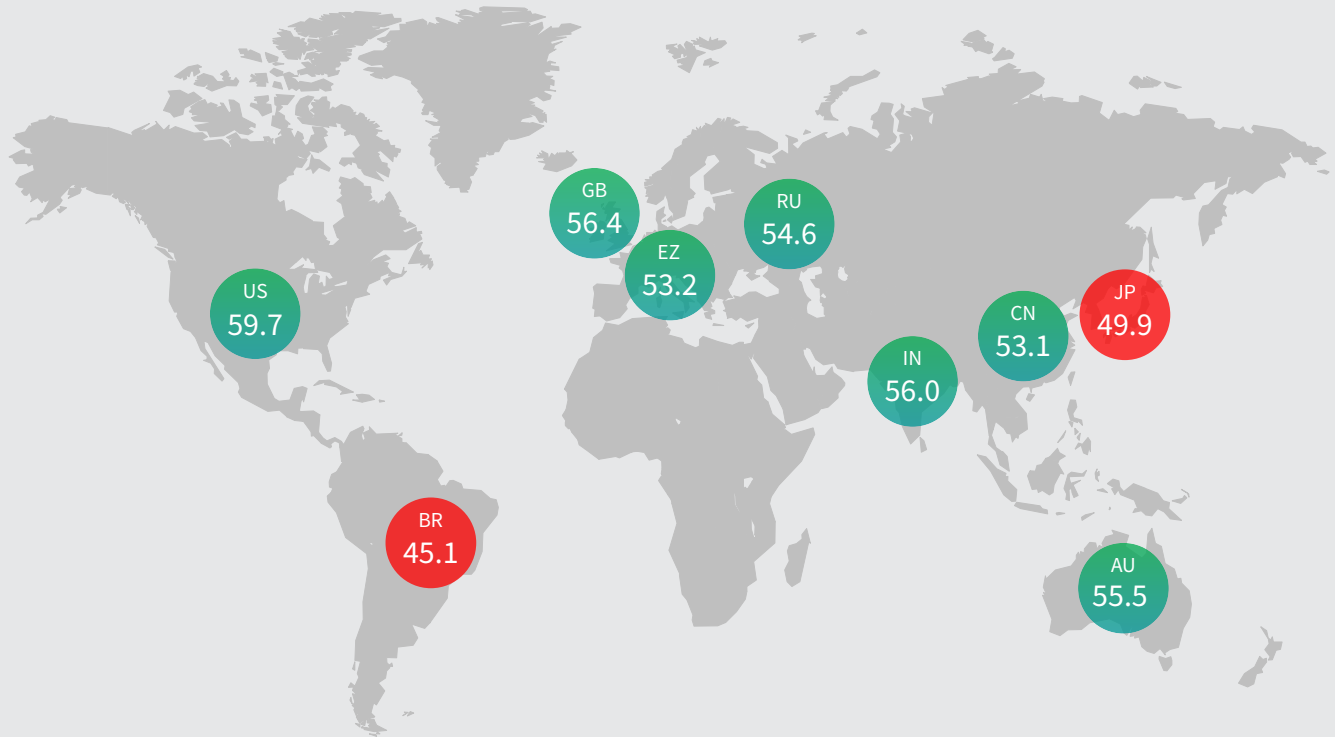
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.



International PMI

Composite Output Index, Mar '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



Survey panel size

650

companies

Index calculation

$$\begin{aligned} & \% \text{ 'Higher' } \\ & + \\ & (\% \text{ 'No change' })/2 \\ & + \\ & (\% \text{ 'Lower' }) \times 0 \end{aligned}$$

Survey 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. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

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.

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

Survey dates and history

Data were collected 12-28 April 2021.

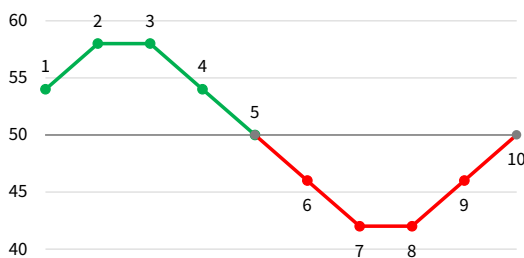
Survey data were first collected July 1996.

Survey questions

Business Activity	Employment
New business	Outstanding business
New export business	Input prices
Future activity	Output prices

Index interpretation

50.0 = no change since previous month



1 Growth	6 Decline, from no change
2 Growth, faster rate	7 Decline, faster rate
3 Growth, same rate	8 Decline, same rate
4 Growth, slower rate	9 Decline, slower rate
5 No change, from growth	10 No change, from decline

Sector coverage

Services PMI data include responses from companies operating in sectors classified according to the following ISIC Rev.4 codes:

- H Transportation and Storage
- I Accommodation and Food Service Activities
- J Information and Communication
- K Financial and Insurance Activities
- L Real Estate Activities
- M Professional, Scientific and Technical Activities
- N Administrative and Support Service Activities
- P Education*
- Q Human Health and Social Work Activities*
- R Arts, Entertainment and Recreation
- S Other Service Activities

*Private sector

Index summary

Services

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

	Business Activity	New Business	New Export Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
Nov '20	47.6	47.8	43.3	72.4	41.4	46.9	52.8	49.1
Dec '20	49.4	48.5	44.9	73.1	46.8	47.1	57.1	49.5
Jan '21	39.5	43.1	41.0	73.6	44.5	46.5	54.5	51.0
Feb '21	49.5	48.5	44.4	76.5	49.3	45.6	58.6	51.9
Mar '21	56.3	57.0	47.7	79.1	52.8	50.9	64.0	55.2
Apr '21	61.0	60.9	50.8	79.0	55.3	52.6	64.9	55.1

Services Sub-sector Index Summary, Average Feb '21 - Apr '21

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

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
Hotels, Restaurants & Catering	44.2	43.3	83.7	42.0	48.6	63.8	50.5
Transport & Communication Services	53.2	49.5	69.7	49.0	44.9	68.4	59.0
Computing & IT Services	55.6	52.8	81.4	55.6	50.6	59.4	54.6
Financial Intermediation	57.3	58.1	74.4	56.5	52.5	57.0	52.3
Business-to-Business Services	58.5	58.8	74.0	54.9	52.4	62.6	54.2
Other Personal & Community Services	52.6	53.1	77.2	46.2	42.2	63.5	53.3

Composite (manufacturing and services)

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

	Output	New Business	New Export Business	Future Output*	Employment	Outstanding Business	Input Prices	Output Prices
Nov '20	49.0	48.9	50.0	73.1	42.3	47.4	54.1	49.9
Dec '20	50.4	49.8	50.8	73.0	47.2	47.8	58.8	50.4
Jan '21	41.2	44.1	45.0	73.6	45.5	47.2	58.1	52.1
Feb '21	49.6	49.2	47.6	76.7	49.7	46.3	62.0	53.4
Mar '21	56.4	57.0	49.8	79.2	53.3	51.2	66.6	56.5
Apr '21	60.7	61.0	52.4	79.3	55.2	52.7	67.3	56.8

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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