

# Markit/CIPS UK Services PMI®

The UK Services PMI® (Purchasing Managers' Index®) is produced for CIPS by Markit.

The report features original survey data collected from a representative panel of around 700 companies based in the UK service sector.



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The Markit/CIPS UK Purchasing Managers' Index series is produced by Markit, an independent research company that produces highly-regarded surveys of business conditions in nations around the world.

Copies of the report are available on annual subscription from Markit. For subscription details please contact: [economics@markit.com](mailto:economics@markit.com)



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## UK service sector growth improved in January to strongest since March 2011

### Key findings:

- Activity rose in line with accelerated increase in new orders
- Single largest monthly improvement in business optimism recorded in January
- Rise in employment strongest for just under four years

The UK service sector started 2012 in positive fashion with activity and new business both rising at marked and accelerated rates. Business confidence showed the largest one-month gain in the survey history, while employment was increased to the greatest degree in nearly four years.

On the price front, input cost inflation eased to the lowest for 14 months while output charges were again little changed.

January's headline Business Activity Index – which is based on a single question asking respondents to report on the actual change in business activity at their companies compared to one month ago – improved to a 10-month peak of 56.0. That was a rise from 54.0 in December and represented a third consecutive monthly improvement in the index (the best run for over two years).

Growth of activity was supported by the strongest gain in volumes of incoming new business since last July. New product releases and marketing campaigns helped to drive new business (and activity) higher in the latest survey period. There was also evidence of improved confidence amongst clients and an increased willingness to commit to new work.

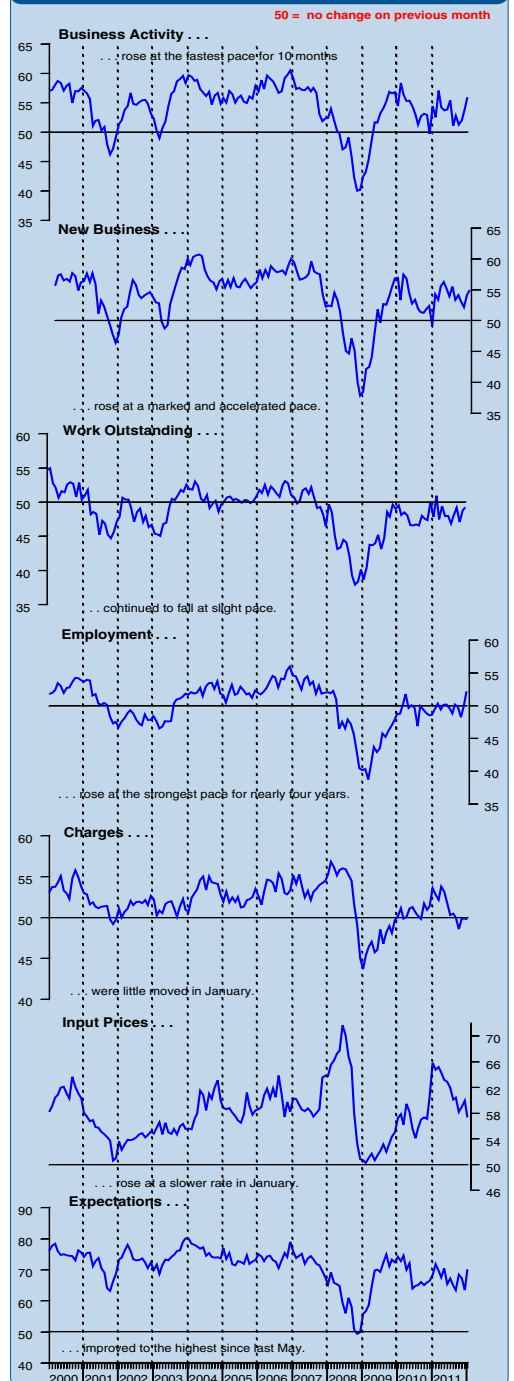
Panellists also expressed improved sentiment, with business expectations jumping to the greatest extent in fifteen-and-a-half years of data collection to reach their highest since last May. Optimism was linked to hopes of an improved economic environment in 2012, with a number of panellists buoyed by a positive start to the new year in terms of activity and new business wins.

Increased volumes of new work and a positive outlook encouraged a number of companies to add to their payrolls in January. The net result was a solid rise in employment, with the latest growth the strongest since March 2008. Higher employment enabled companies to deal with the dual demands of existing and new contracts, with levels of work outstanding falling slightly in the latest survey period.

Average input costs continued to rise in January, led higher by increased prices for food, fuel and imported goods. A number of panellists added that wage costs had risen. That said, with reports of supplier competition and lower energy bills, the rate of cost inflation weakened in January to the lowest for 14 months.

Lower price inflation to some extent helped alleviate the pressure on companies to respond with higher output charges. In fact, with competition remaining fierce and clients demanding lower charges, average prices charged by UK service providers were little changed in January.

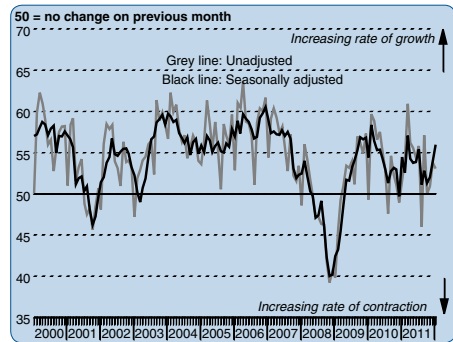
### Markit/CIPS Service Sector Indices



### Service Sector Business Activity Index

Question asked: Please compare the level of business activity (i.e. gross income, chargeable hours worked, etc) in your company this month with the situation one month ago.

	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj. Index
09 ave	18.9	65.0	16.2	2.7	51.9	51.3
10 ave	20.9	66.1	13.0	7.9	53.7	54.0
11 ave	18.9	69.4	11.7	7.2	53.9	53.6
11 Aug	19.4	53.4	27.3	-7.9	46.0	51.1
Sep	31.0	52.2	16.8	14.3	57.1	52.9
Oct	23.8	52.5	23.7	0.1	50.1	51.3
Nov	22.5	56.9	20.6	1.9	50.9	52.1
Dec	26.0	55.7	18.3	7.6	53.8	54.0
12 Jan	29.3	47.6	23.1	6.2	53.1	56.0



**Strongest rise in business activity recorded for 10 months in January.**

UK service sector activity growth continued to strengthen during January, with the seasonally adjusted Business Activity Index improving to a 10-month high of 56.0. The index has now risen for three months in succession and the latest growth was marked and above trend. Just over 29% of the survey panel registered an increase in activity since the end of December, and growth has now been recorded in each of the past 13 months.

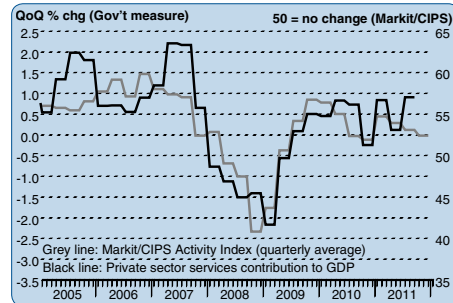
Panellists largely attributed growth at the start of 2012 to higher volumes of incoming new business. A number commented that marketing campaigns had boosted activity and supported efforts to acquire new business.

There was a broad-based increase in activity across the services economy, with the strongest gains recorded in the Hotels, Catering & Restaurants and Personal Services sectors.

### Comparison with government data on services' output

The chart below compares the Service Sector Business Activity Index with the private sector services' contribution to total value added (gross domestic product), as measured by the ONS.

Comparison of the UK Services PMI Business Activity Index with the government's measure of private sector services contribution to value added data, shows broadly similar trends. However, the PMI data have generally pointed to turning points in advance of the official figures. Latest figures from the Office for National Statistics (ONS) signalled that quarter-on-quarter growth of the UK private service sector was the strongest in four years at a rate of 0.9%. PMI data for the fourth quarter points to much slower growth of the private service sector.



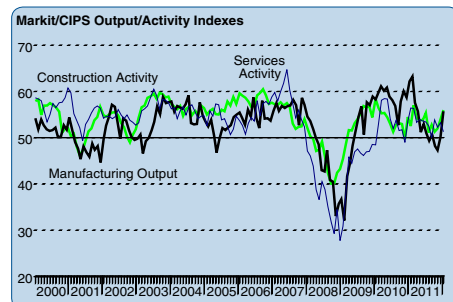
**Private service sector growth improved during Q3 to the sharpest for four years.**

### Services contribution to total economic growth

The charts below show the relative performance of the services economy compared to manufacturing and construction, as measured by Markit surveys, plus longer-run data on gross domestic product from the ONS.

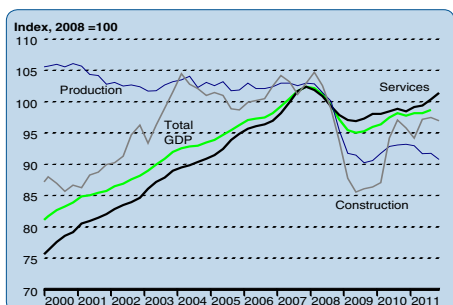
PMI figures for January indicated concurrent rises in output/activity across the UK private sector. Growth was led by services and manufacturing, where robust increases in output were registered. In contrast, a relatively modest rise in construction activity was signalled.

Latest data from the ONS showed a strong rise in UK service sector output in the final quarter of 2011 (+2.9%), in contrast to a sharp fall in production output (-2.6%). Output in construction continued to grow, but at a modest pace (+1.3%).



**Manufacturing output rose at marked pace at the start of 2012.**

	Share of total*	Rate of growth (% per annum)**			
		2011	Q2'11	Q3'11	Q4'11
All sectors	100.0%	n/a	0.7	0.5	n/a
All Services	76.3%	1.6	0.9	1.5	2.9
Public services	19.0%	n/a	0.7	1.0	n/a
Private services	46.5%	n/a	1.5	1.6	n/a
Production	15.4%	1.9	-1.3	-1.4	-2.6
Manufacturing	10.2%	3.7	2.9	1.5	-0.1
Construction	7.6%	8.2	3.2	0.4	1.3
Agriculture, forestry & fishing	0.7%	-1.5	-0.8	0.2	11.5



Note: \* shares in 2008 \*\* at constant 2008 prices.

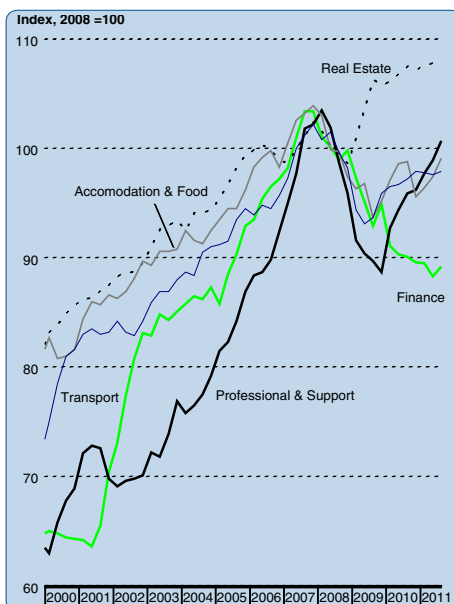
### Sectoral breakdown of services output

The table below shows the relative importance of each sector of the Markit/CIPS survey panel. (Data are based on ONS Gross Value Added data for 2006).

Sector / subsector	% share of total	Sector / subsector	% share of total
<b>Hotels &amp; Restaurants</b>	<b>6.2</b>	<b>Real Estate, Renting &amp; Business Activities</b>	<b>49.5</b>
Hotels & Restaurants	6.2	Real Estate (excl. letting of own property)	7.6
<b>Transport, Storage &amp; Communication</b>	<b>14.3</b>	Renting of Machinery	3.5
Land Transport	2.9	Computer & Related	9.1
Water Transport	0.5	R&D	2.5
Air Transport	1.6	All others	26.9
Transport Support Services & Travel Agents	4.6	<b>Other Personal Services</b>	<b>11.2</b>
Post & Communications	4.8	Sewage & Refuse Disposal	0.5
<b>Financial Intermediation</b>	<b>18.8</b>	Membership Organisations	0.3
Financial Intermediation excl. ins. & pensions	12.2	Recreational, Cultural & Sporting	5.4
Insurance & Pensions	3.0	Other (cleaning, funerals, health etc)	5.1
Auxiliary Services	3.6	<b>All Private Sector Services</b>	<b>100.0</b>

### GDP by sector

The chart below shows the relative performance of the broad sectors of the services economy, as measured by their contribution to GDP.



Marginal growth of UK economy in third quarter...

Average annual % growth rates of Gross Value Added at basic prices

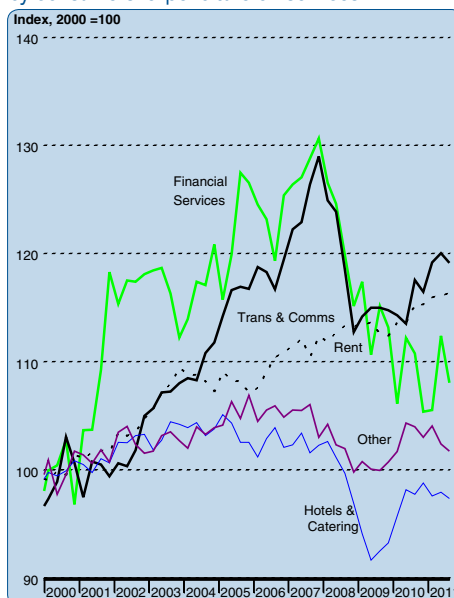
	2008	2009	2010	2011 q2	2011 q3	2011 q4
Whole	-1.0	-4.5	2.1	0.7	0.5	n/a
All services	-0.5	-2.7	1.2	0.9	1.5	2.9
Financial	-1.5	-5.0	-5.0	-2.2	-1.0	n/a
Real Estate	-0.6	4.3	2.6	0.9	0.7	n/a
Scientific, Admin & Support	0.8	-9.9	5.2	4.8	5.0	n/a
Transport, Storage & Comms	-0.1	-5.7	3.0	0.9	0.7	n/a
Accom. & Food	-2.5	-4.5	2.1	-1.2	0.3	n/a

UK economic growth weakened in the third quarter of 2011, according to latest GVA data from ONS. Output was 0.5% higher than a year ago, compared to a gain of 0.7% in the previous quarter.

The first read of services growth for Q4 indicated an acceleration to 2.9% year-on-year (from 1.5% in the previous quarter). Detailed sector data, which are only available to Q3, showed a fall in output in Financial (-1.0%). Growth was recorded elsewhere, but to varying degrees.

### Consumers' expenditure on services

The chart below shows consumers' expenditure on the broad sectors of the services economy, as measured by consumers' expenditure on services.



...with consumer spending down for a second successive quarter.

Average annual % growth rates

	2008	2009	2010	2011 q1	2011 q2	2011 q3
Consumer spending	-1.4	-3.5	1.2	0.0	-1.0	-1.0
On services	-2.0	-3.1	1.4	2.0	0.8	-0.5
Rent, rates & water charges	1.1	0.2	1.3	2.0	2.2	0.9
Hotels & catering	-2.3	-7.2	5.1	1.9	-0.2	-0.4
Transport & communcat'n	-4.1	-4.4	0.6	4.3	5.7	1.3
Financial servs.	-5.2	-6.1	-4.8	-0.5	0.2	-2.5
Other servs.	-2.8	-1.7	2.9	2.3	-1.9	-2.1

Consumer spending continued to fall in the third quarter of 2011, declining by -1.0% year-on-year. Household expenditure on services also declined, with latest data showing a -0.5% fall. That followed growth of 0.8% in the previous quarter.

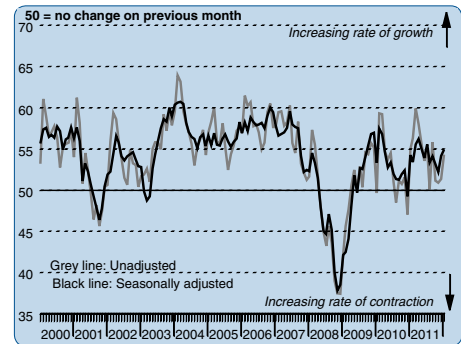
Data by services sub-category showed that spending was down on Hotels & Catering (-0.4%), Financial Services (-2.5%) and Other Services (-2.1%). Modest growth was recorded in the remaining sub-categories.

### Incoming New Business / New Orders Index

Question asked: Please compare the level of new orders placed during the month (whether already fulfilled or not) this month with the situation one month ago.

**Incoming new business rose at a marked and accelerated pace at the start of 2012.**

	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj. Index
09 ave	20.7	59.8	19.5	1.2	51.0	50.6
10 ave	22.4	61.4	16.2	6.1	52.6	53.1
11 ave	22.3	64.0	13.7	8.6	54.4	54.3
11 Aug	24.8	50.7	24.5	0.3	50.1	53.4
Sep	30.1	51.4	18.5	11.7	55.8	54.1
Oct	26.1	50.3	23.7	2.4	51.2	53.2
Nov	26.3	49.2	24.4	1.9	50.9	52.3
Dec	23.4	56.0	20.6	2.7	51.4	54.2
12 Jan	32.1	44.5	23.4	8.7	54.4	55.0



Volumes of incoming new business moved higher for a thirteenth successive month in January. Moreover, with nearly a third of the survey panel recording gains in new business since the end of 2011, the overall rate of growth was the sharpest recorded since last July. Growth of new work has now strengthened for two months in succession.

Those panellists that indicated a rise in new business commented on improved business confidence and an increased willingness to commit to new work. There was evidence that pipeline work was converted into hard business wins. Some respondents attributed higher sales to new product releases allied with successful marketing campaigns.

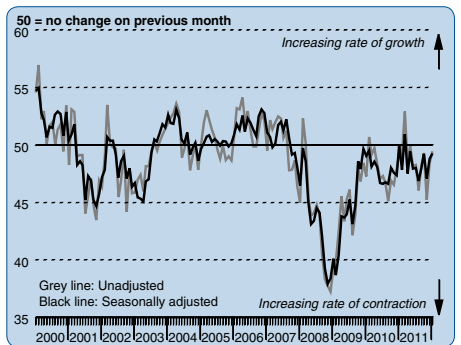
At the sector level, growth was recorded across the services economy, with the best gain seen in Personal Services. Solid gains in new business were recorded in the Financial Intermediation and IT & Computing categories.

### Outstanding Business Index

Question asked: Is the level of outstanding business (i.e. work placed but not yet completed) in your company this month higher, the same or lower than one month ago?

**Work outstanding down marginally in January.**

	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj. Index
09 ave	9.2	69.9	20.9	-11.7	44.3	44.2
10 ave	11.7	72.1	16.2	-4.5	47.7	47.8
11 ave	12.8	71.4	15.8	-3.0	48.6	48.5
11 Aug	13.4	65.3	21.3	-7.9	46.0	46.9
Sep	15.6	65.4	19.0	-3.4	48.3	48.1
Oct	17.3	64.0	18.7	-1.3	49.3	49.2
Nov	12.6	65.3	22.1	-9.5	45.2	47.1
Dec	16.5	63.9	19.6	-3.2	48.4	48.8
12 Jan	17.8	63.4	18.9	-1.1	49.5	49.3



Remaining below the 50.0 no-change mark for a tenth successive month in January, the seasonally adjusted Outstanding Business Index indicated a further reduction in levels of unfinished business held by UK service providers. However, the rate of decline was only marginal and the slowest for eight months.

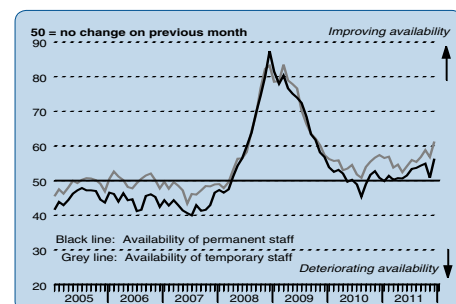
Broadly similar proportions of the survey panel registered a decline (19%) as recorded an increase (18%) in work outstanding during January. Those that indicated contraction largely attributed the decline to excess resources and an ability to cope with the dual demands of existing and incoming contracts. Where growth of backlogs was registered, panellists linked this to higher volumes of new business as the primary driver.

Sector data showed that the strongest cuts in work outstanding were indicated in the IT & Computing category.

### Staff availability

The chart below uses data collected by Markit but refers to the availability of staff in all sectors of the economy.

**Permanent and temporary staff availability continued to rise in December – and at sharper rates.**

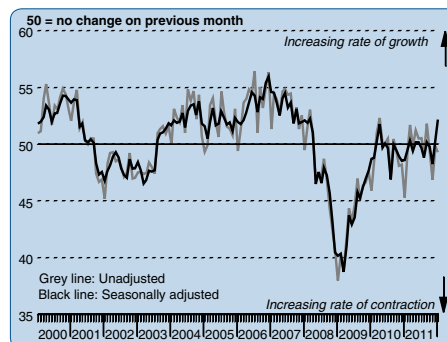


The availability of staff to fill permanent job vacancies continued to rise in December, extending the current period of growth to 11 months. Furthermore, the latest improvement was the strongest for two years. Temporary/contract staff availability rose at a considerable pace in December, with the rate of growth picking up to the sharpest since October 2009. Almost one-third of panellists reported an improvement in the availability of short-term workers, versus approximately 11% that noted a deterioration.

### Employment Index

Question asked: Please compare the number of people employed at your company with the situation one month ago (treat two part-time as one full-time and ignore temporary labour).

	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj. Index
09 ave	6.3	74.4	19.3	-12.9	43.6	43.5
10 ave	11.6	75.6	12.8	-1.2	49.3	49.4
11 ave	11.6	75.9	12.5	-0.8	49.6	49.6
11 Aug	12.3	73.6	14.1	-1.7	49.1	48.8
Sep	13.6	76.5	9.9	3.6	51.8	50.2
Oct	14.4	70.0	15.6	-1.2	49.4	49.8
Nov	9.9	74.0	16.1	-6.3	46.9	48.2
Dec	12.7	74.2	13.1	-0.3	49.8	50.1
12 Jan	11.3	76.1	12.6	-1.3	49.3	52.2



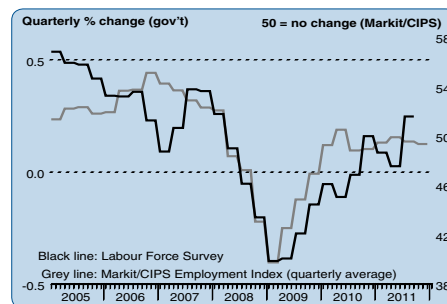
Sharpest rise in employment for nearly four years.

Following a negligible rise in December, a solid gain in UK service sector employment was signalled during January. Moreover, the latest rate of growth was the strongest registered since March 2008. Higher employment numbers reflected an increase in new business (in some cases unexpected) alongside some positive expectations for growth. IT & Computing and Personal Services recorded the strongest gains in employment during the latest survey period.

### Comparison with government data

The chart below compares the Markit/CIPS Service Sector Employment Index with Department of Employment data, collected from the quarterly Labour Force Survey.

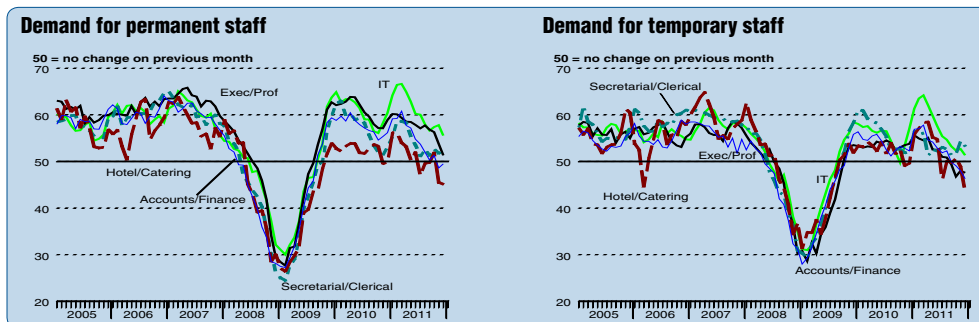
Having signalled generally stronger expansion of employment between in 2005, official data tended to indicate a slower rate of growth of employment than the PMI Employment Index in 2006 and 2007 before the two series signalled broadly similar trends in 2008-2010. Latest data from the ONS indicated a marked acceleration of UK service sector employment growth in Q3. January's Markit/CIPS data signalled a solid increase in service sector payroll numbers.



Official data show improvement in service sector employment growth in Q3.

### Demand for staff by job type

The chart below uses Markit survey data from recruitment consultants, for which the higher the index, the stronger the demand for staff reported in each sector.

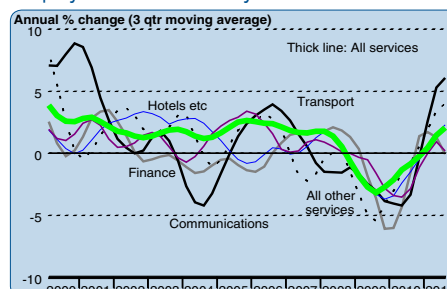
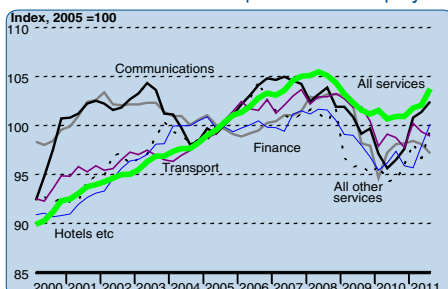


Mixed trends in demand for staff at the end of 2011...

Mixed trends in the demand for staff were signalled by December's survey data. While there were rises in permanent staff demand for Executive/Professional, IT and Secretarial/Clerical workers, contractions were registered for Accounts/Finance and Hotel/Catering. For temporary staff, rises in demand for IT and Secretarial/Clerical were recorded, but declines were registered elsewhere.

### Employment growth by sector

The charts below track Department of Employment data on employment within the key service sectors.

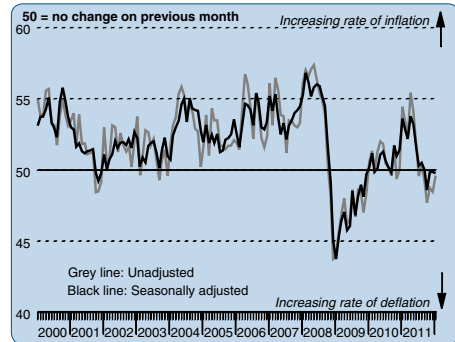


...and service sector employment during the third quarter.

### Average Prices Charged Index

Question asked: Compare the average prices charged by your company (e.g. prices charged per item or unit of time) this month with the situation one month ago.

	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj. Index
09 ave	5.4	83.3	11.3	-5.9	47.1	47.1
10 ave	9.0	83.4	7.6	1.4	50.7	50.7
11 ave	10.0	82.7	7.3	2.8	51.3	51.4
11 Aug	8.0	84.6	7.4	0.7	50.3	50.5
Sep	6.9	84.7	8.4	-1.6	49.2	50.0
Oct	8.6	78.2	13.2	-4.6	47.7	48.6
Nov	7.3	82.9	9.8	-2.5	48.7	49.9
Dec	7.7	81.5	10.8	-3.0	48.5	49.9
12 Jan	9.7	79.8	10.5	-0.8	49.6	49.8



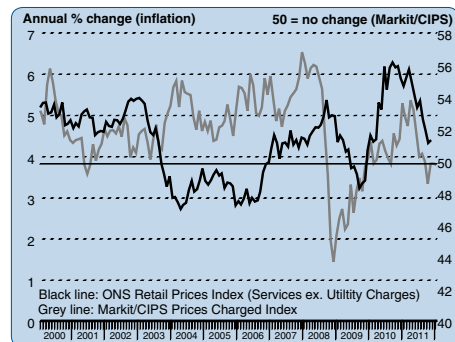
Average output charges little changed in January.

Average prices charged by UK service providers were again little changed at the start of 2012 as broadly similar proportions of the survey panel indicated a rise in output charges as a fall. Competitive pressures and client demand for lower prices were amongst the factors reported by those panellists that cut their charges. Conversely, rising input costs led some respondents to increase their output charges during January. Transport, Storage & Communications companies recorded the steepest reduction in charges.

### Comparison with government data

The chart below compares the Markit/CIPS Prices Charged Index with the Office for National Statistics services component of the retail prices index.

The closest comparison of the UK Services PMI Prices Charged Index with official data is with the ONS retail prices index for services. However, the PMI Index measures charges faced by the private sector, while the ONS data is geared towards household utility fees, public service charges and rents. The difference in coverage has at times led to some divergence, most notably in 2004 and 2008/2009. December's ONS data signalled that services inflation (exc. utilities) edged slightly higher during the latest survey period. The latest survey data indicated that average output prices were little moved at the start of 2012.

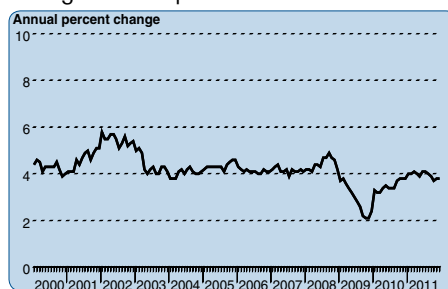


Official data showed slight acceleration of average output charge inflation during December.

### Prices charged for services by sector

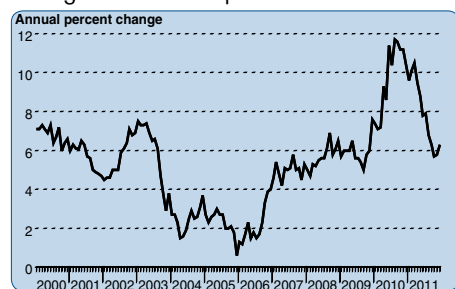
The charts below use Office for National Statistics data taken from the UK retail prices index.

#### Charges for shop services



Shop charge inflation unchanged at 3.8% during December.

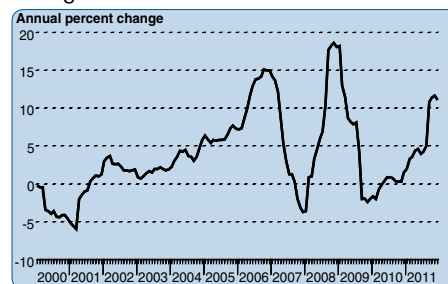
#### Charges for non-shop services



Non-shop service inflation hit a three-month high of 6.3% at the end of 2011.

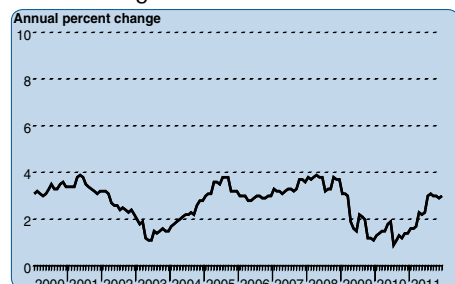
Utility charge inflation eases in December, but charges for non-shop services rise at quicker pace.

#### Charges for Utilities



Utility charge inflation remained elevated, but nonetheless eased in December to 11.1%.

#### Rental Charges

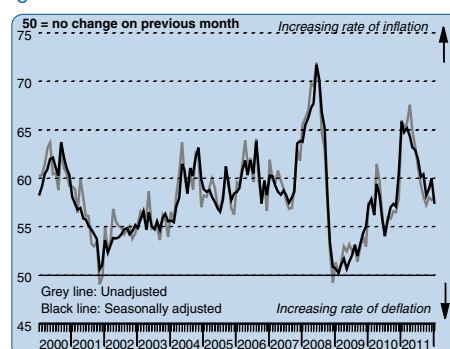


Rental charge inflation was little moved at 3.0% in December (November: 2.9%).

### Average Input Prices/Costs Index

Question asked: Is the average price paid by your company for all inputs (purchases, wages and salaries etc.) this month higher, the same or lower than one month ago?

	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj. Index
09 ave	12.6	79.1	8.3	4.3	52.3	52.2
10 ave	17.5	79.4	3.1	14.4	57.1	57.2
11 ave	25.9	72.5	1.6	24.3	62.0	62.2
11 Aug	22.1	74.5	3.5	18.6	59.3	60.2
Sep	19.6	77.0	3.4	16.3	58.1	60.4
Oct	21.2	72.1	6.7	14.5	57.3	58.2
Nov	20.3	75.5	4.2	16.0	58.0	59.0
Dec	20.4	74.7	4.9	15.5	57.8	60.0
12 Jan	20.3	75.6	4.2	16.1	58.1	57.4

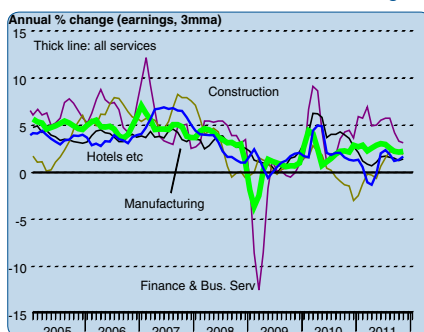


Input price inflation down to the lowest for over a year.

Input price inflation weakened in January to the lowest recorded for 14 months amid some reports of lower energy bills. Competition amongst suppliers was also reported as a factor restraining input price inflation. That said, costs continued to rise at an elevated pace with 20% of the survey panel recording an increase in input prices. Food, fuel and imported goods were reported to have risen in price. A number of panellists blamed higher wages for the rise in operating costs.

### Average earnings by sector

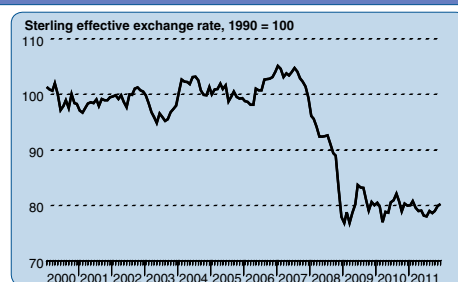
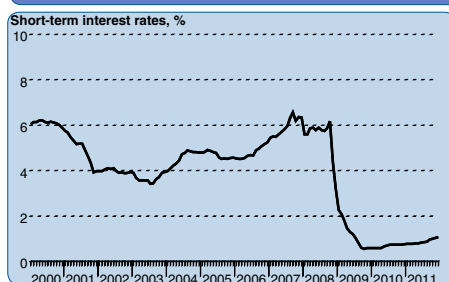
The chart and table below use ONS Average Weekly Earnings (AWE) data



Annual % growth rates	2008	2009	2010	2011 q1	2011 q2	2011 q3
Total Private Sector	3.5	-0.9	2.1	2.3	2.8	2.4
Construction	1.8	0.9	-0.1	-0.2	0.7	2.1
Manufacturing	3.0	1.2	4.3	0.9	1.7	1.5
All Services	3.7	-0.2	2.3	2.9	2.9	2.6
Financial & Business Services	4.6	-2.7	4.3	6.8	5.5	4.2
Distribution, Hotels & Restaurants	2.5	1.2	2.5	-1.1	2.0	1.2

Average earnings growth weakened in the third quarter of 2011.

### Other influences on costs

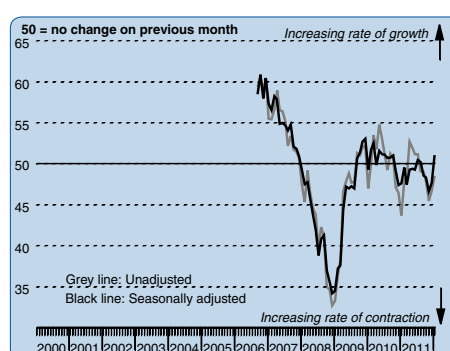


Short-term interest rates edge higher in December. Sterling effective exchange rate strengthened.

### Profitability Index

Question asked: Please compare the profitability of your company's operations with the position three months' ago.

	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj. Index
09 ave	18.3	55.1	26.6	-8.3	46.2	45.9
10 ave	20.8	59.5	19.7	1.1	50.5	50.5
11 ave	19.0	59.5	21.6	-2.6	48.8	48.7
11 Aug	21.2	55.8	23.0	-1.8	49.1	50.2
Sep	20.4	57.2	22.4	-1.9	49.0	48.6
Oct	21.4	52.9	25.6	-4.2	47.9	48.3
Nov	20.8	49.4	29.8	-9.0	45.5	46.7
Dec	19.3	54.8	25.9	-6.6	46.7	47.7
12 Jan	23.0	51.1	25.9	-2.9	48.6	51.1



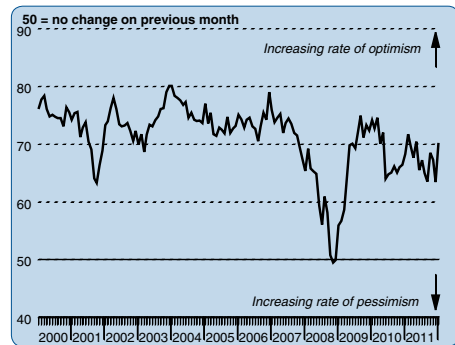
First rise in service sector profitability signalled for five months.

UK service sector profitability improved in the three months to January. Although modest, growth during the latest survey period was the first registered since last August, ending a four-month run of contraction. Higher turnover and efforts to lower costs were noted as factors supporting profitability. In contrast, where profitability was reported to have deteriorated, a number of panellists blamed margin pressure arising from discounting.

### Service Sector Business Expectations Index

Question asked: In twelve months' time, do you expect the overall level of activity at your business unit to be higher, the same or lower than now?

	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj. Index
09 ave	49.7	35.5	14.8	34.9	67.5	n/a
10 ave	49.4	38.1	12.5	36.9	68.5	n/a
11 ave	47.3	40.2	12.5	34.8	67.4	n/a
11 Aug	43.5	43.2	13.4	30.1	65.1	n/a
Sep	42.1	42.9	15.0	27.1	63.5	n/a
Oct	48.2	40.6	11.2	37.1	68.5	n/a
Nov	48.3	38.0	13.6	34.7	67.4	n/a
Dec	42.8	41.3	15.9	27.0	63.5	n/a
12 Jan	50.0	40.5	9.5	40.6	70.3	n/a



**Business Expectations Index registered largest month-on-month gain in survey history at start of 2012...**

The Business Expectations Index jumped by nearly seven points in January, the strongest rise in fifteen-and-a-half years of data collection, to signal the highest degree of service sector confidence since last May. Exactly 50% of the survey panel signalled expectations of a rise in activity from present levels in 12 months' time, compared to less than 10% that are forecasting a fall.

Respondents indicated that a wide variety of factors had supported positive expectations in the latest survey period. These included expectations of an improvement in the economic environment which, combined with increased marketing drives and new product releases, should help support growth of activity. A number of respondents indicated that they were buoyed by a positive start to the year.

Of those companies that are expecting a decline in their output, the majority linked their pessimism to economic uncertainty impacting on business activity.

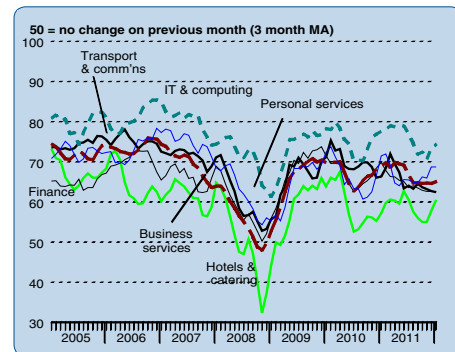
### Business expectations by sector

The chart below shows individual Business Expectations Indices for the six broad sectors which comprise the UK services survey panel. Three-month moving averages are used.

The majority of sub-sectors covered by the survey recorded improvements in business confidence during the latest period – and to stronger degrees than in December. Respondents based in IT & Computing recorded the highest degree of confidence, with planned introduction in new products and hopes of a stronger economy supporting the positive outlook.

Personal Services companies were also optimistic of an increase in activity over the coming 12 months, with companies buoyed by recent signs of economic stability and forecasts of releasing new products in the next year.

Financial Intermediation firms were the least confident with regards to future activity in the latest survey period.



**...with confidence rising across the majority of the survey panel.**

### Markit/CIPS UK Services PMI: Notes and Copyright

This survey covers transport & communication, financial intermediation, business services, personal services, computing & IT and hotels & restaurants. The relative importance of each sector is shown on page 3 of this report.

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.

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As a centre of excellence, the **Chartered Institute of Purchasing & Supply** is the leading international body representing purchasing and supply chain professionals. CIPS has over 60,000 members in 150 countries, including senior business people, high-ranking civil servants and leading academics. The activities of purchasing and supply chain professionals can have a major impact on the profitability and efficiency of all types of organisation.