

## News Release

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:30 (UK), 5 December 2011**

### Markit/CIPS UK Services PMI®

## UK service sector registers further month of modest growth in November

Data collected 12–28 November

#### Key Points:

- Headline Business Activity Index at 52.1, improves on October's 51.3
- Modest growth of incoming business, but gains undermined by difficult economic climate
- Employment down at fastest pace for 15 months

#### Summary:

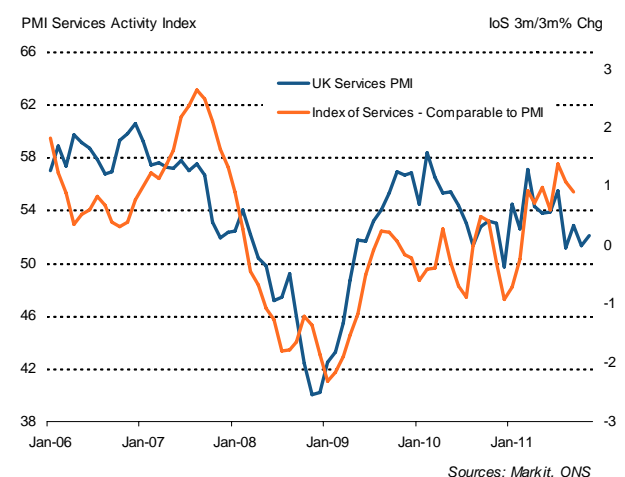
UK service sector activity rose for an eleventh successive month in November, but at a modest pace as incoming new business increased at the slowest rate of the year so far. Evidence of spare capacity was provided by accelerated falls in backlogs and employment.

Higher utility costs continued to underpin a strong rate of overall input price inflation, while competitive pressures dampened pricing power, with output charges little changed since September.

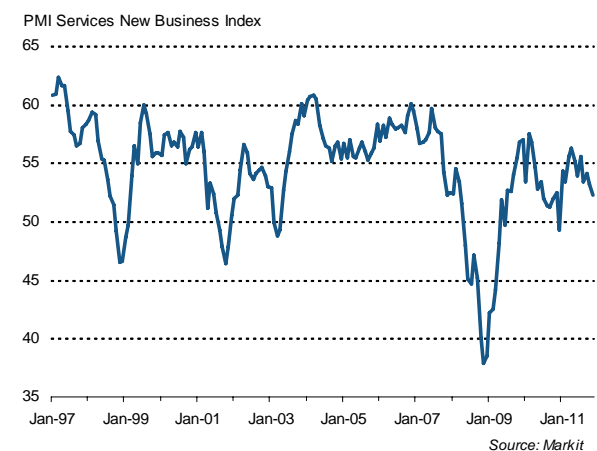
The seasonally adjusted **Business Activity Index** recorded 52.1 in November, indicative of modest growth that was a slight improvement on October's reading of 51.3. The headline index has registered above the 50.0 no-change mark in each month of 2011 so far.

Higher activity reflected a combination of rising volumes of incoming new work and increased marketing/advertising. However, there was evidence from the survey panel that the business climate remained tough, with the European debt crisis undermining confidence. Growth was also reportedly curtailed by low bank lending and public sector spending cuts.

#### Activity continues to rise, but only modestly...<sup>1</sup>



#### ...as growth of new work weakest in 11 months



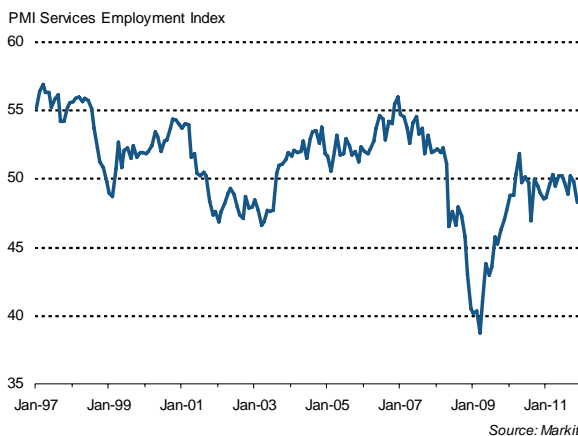
<sup>1</sup> ONS Index of Services (IoS) growth rates based on weighted data covering Accommodation & Food Services, Transport, Storage, Information & Communications Services, Finance, Real Estate, Professional, Admin & Support Services and Other Services.



These factors partly served to undermine gains in **new business** during November. Growth was sustained for an eleventh successive month, but at a slower pace that was the weakest in the current period of expansion. Where higher new business was registered, the launch of new products and services were reported.

**Job cuts** were recorded for a fourth time in the past five months in November. Although modest, the rate of job shedding was the quickest in 15 months. Some panellists blamed a lack of incoming new business as a factor behind redundancies, while others sought to better match staffing and costs to business requirements. Moreover, an accelerated rate of backlog depletion added to the picture of spare capacity in the UK service sector.

#### Job losses recorded in November and at quickest pace for over a year



#### Comment:

##### Chris Williamson, Chief Economist at survey compilers Markit:

*“The service sector saw a modest expansion again in November, holding up in the face of growing gloom about the health of the domestic economy and heightened uncertainty regarding the euro area’s debt crisis. However, with manufacturing contracting at a steep pace, the weak growth of services means the economy is likely to have stagnated in the fourth quarter.*”

*“Companies remained concerned about the outlook, with headcounts falling at the steepest rate for over a year as a result. With the private sector cutting staff at the same time as government spending cuts reduce the public sector payroll*

**Input price inflation** ticked up slightly in November, remaining at a historically elevated level. Rising utility bills and increased transportation costs reportedly drove overall input costs higher. Any efforts to pass these on to clients in the form of a rise in output charges were generally thwarted by competitive pressures or discounting designed to stimulate demand.

Finally, **business confidence** was slightly down on October’s five-month peak. Hopes of an improved economic environment, the 2012 Olympics and the start of new projects were all factors reported to have underpinned positive expectations. Those forecasting a decline in activity attributed their pessimism to general economic uncertainty and public sector spending cuts.

*numbers, unemployment looks set to rise above the current rate of 8.3%.*

*“Whether or not the economy slides into recession next year depends to a large extent on whether politicians can find a workable solution to the euro zone’s crisis. Until then, uncertainty is likely to prevail, which is damaging to both business and consumer confidence and raises the risk of the UK sliding back into a new downturn in the first quarter.”*

##### David Noble, Chief Executive Officer at the Chartered Institute of Purchasing & Supply:

*“Whilst the service sector is still growing, it is doing so at a modest rate and businesses remain under strain. Margins are being squeezed by the pincer of*



*falling new business growth and higher input costs. Strong headwinds from the continued Eurozone crisis combined with public sector pressures are adding to the anxiety levels amongst many businesses in the sector.*

*"With the London 2012 Olympic and Paralympic Games in sight, there is some optimism about next*

*year with many panellists also expecting new product launches and projects to boost activity over the coming months. Margins will continue to be squeezed, however, as intense competition means businesses will struggle to increase their prices."*

**The December Report on Services will be published on Thursday 5<sup>th</sup> January 2012 at 09:30**

**-Ends-**

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#### **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](mailto:economics@markit.com).



#### **About Markit**

Markit is a leading, global financial information services company with over 2,300 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information please see [www.markit.com](http://www.markit.com).

#### **About PMIs**

*Purchasing Managers' Index*® (*PMI*®) surveys are now available for 32 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](http://www.markit.com/economics).

#### **About CIPS**

The Chartered Institute of Purchasing & Supply (CIPS) is the leading international body representing purchasing and supply management professionals. It is the world-wide centre of excellence on purchasing and supply management issues. CIPS has 60,000 members around the world, 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.

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