

UK Services PMI

Signs of returning confidence appear

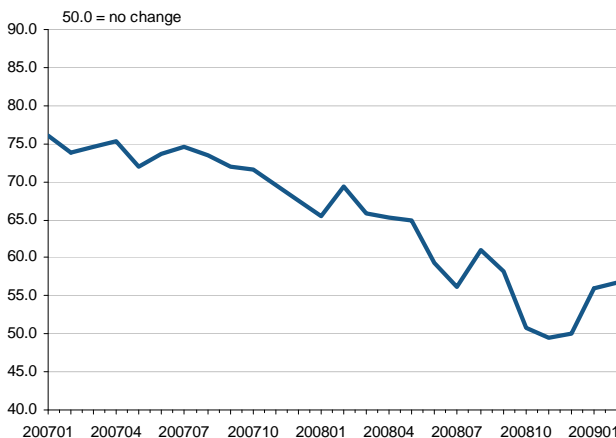
Key findings

- **Business Expectations Index at highest since September 2008**
- **Hotels and restaurants have seen the biggest improvement in confidence**

Business confidence recovers from recent low

While the latest UK services PMI showed a further steep contraction in tertiary sector activity in February, the survey also suggested that the rate of decline may have bottomed out late last year. Moreover, business confidence about the year ahead improved in four out of six sectors monitored by the survey. Overall, the Business Expectations Index rose to its highest since last October.

Business Expectations Index

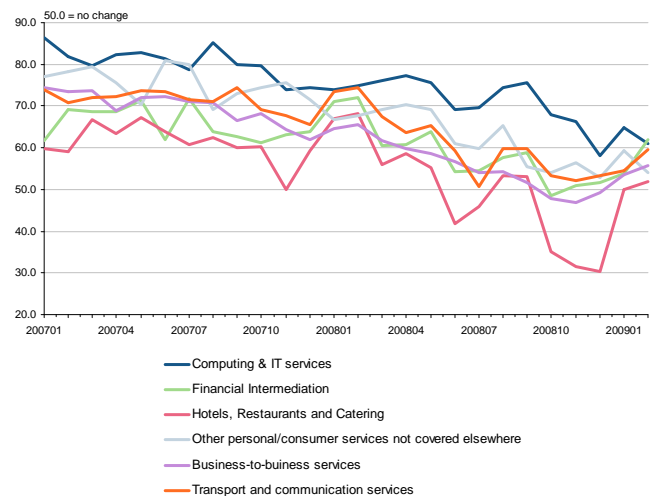


Around 38% of the survey panel expect their business activity levels to be higher than present in twelve months time. But business confidence in the services economy nonetheless remained historically low, as almost one-quarter of the panel forecast lower activity over the next twelve months. Panellists that expect a decline in activity over the coming year fear that the current downturn still has some way to run.

Finance and IT firms most optimistic ...

Four sectors saw an improvement in business sentiment during February. The highest degrees of business sentiment were recorded in Financial Intermediation and IT & Computing, although confidence in the latter has dipped since January. Improved products and marketing were cited as factors likely to drive IT sales growth. Companies operating in the Hotels & Restaurants sector were the least optimistic, reflective of worries that the economic downturn will have a severe negative effect on the sector's performance over the coming year. Sentiment in Personal Services was also low, with the poor economic climate forecast to reduce new and existing business opportunities.

Business Expectations Index by sector



... but hotels and restaurants have seen the biggest swing in sentiment since last-last year

However, in terms of *changes* in confidence in recent months, the average of the Business Expectations Index in the first two months of 2009 has risen compared to the average seen in Q4 of last year for all sectors except for computing and IT, where a modest decline is evident. By far the largest gain in confidence has been recorded in the hotels, restaurants and catering sector, followed by financial intermediation and then business-to-business services.

Business Expectations Index averages

	Computing & IT	Financial Intermediation	Hotels, Restaurants and Catering	Business-to- business	Transport and communication	Other consumer services not covered elsewhere
2008 Q4	64.1	50.3	32.3	48.0	52.9	54.4
2009 Q1*	62.9	57.9	50.9	54.6	57.0	56.6
change	-1.2	7.6	18.6	6.6	4.1	2.2

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