



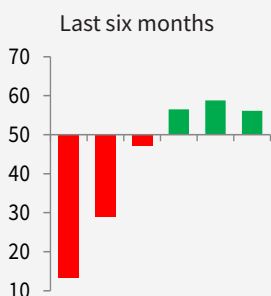
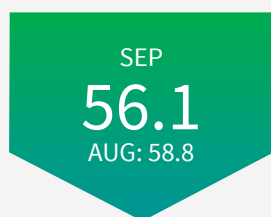
KEY FINDINGS

Third successive month of growth, albeit at slower rate

Rise in new business linked to improved market conditions

Cost concerns lead to another round of job losses

UK SERVICES BUSINESS ACTIVITY INDEX



The UK service sector continued its recent recovery from the sharp downturn related to the start of the coronavirus disease 2019 (COVID-19) pandemic earlier in 2020, with business activity rising for a third successive month. Growth was supported by another upturn in new work amid reports that market conditions continued to improve.

However, growth across the services sector was uneven with gains principally focussed on areas such as business-to-business services. Those sub-sectors more exposed to social contact such as Hotels, Restaurants & Catering reported a downturn in business during the month, exacerbated in part by the withdrawal of government schemes or the tightening of restrictions related to COVID-19.

After accounting for seasonal factors, the IHS Markit/CIPS UK Services PMI[®] Business Activity Index fell from August's 58.8, which was the strongest reading since April 2015, to a level of 56.1 in September. Although the lowest reading since June, the index nonetheless pointed to a marked rate of growth.

Supporting activity was a further increase in levels of incoming new work, also the third in successive months. With the withdrawal of the UK government's Eat Out to Help Out scheme, plus an introduction of some tighter restrictions on activity in September, growth in new business was softer than in August. A lack of international tourism was also reported to have weighed on foreign business,

which overall continued to fall sharply.

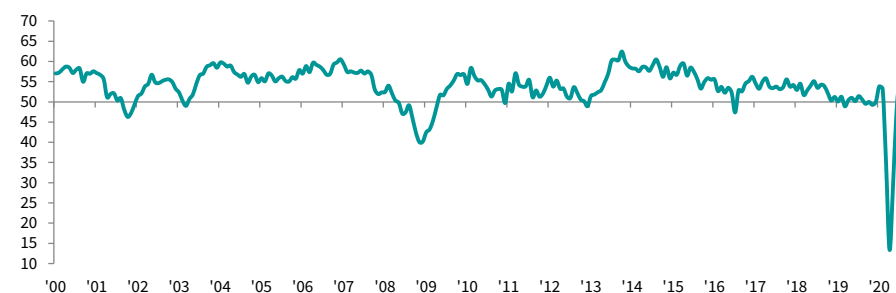
Nonetheless, there remained many reports, especially from those operating in business-to-business services or real estate activities, that market demand was continuing to improve compared to earlier in the year. This helped to bolster confidence about the future, with sentiment about the year ahead remaining comfortably inside positive territory (despite easing to a four-month low). Companies expect that investment in new products and services, plus an uplift in sales and demand once the pandemic has been brought fully under control, will help to drive business expansion.

However, the near-term outlook remains unusually uncertain and firms continued to take an extremely cautious approach to cost management and hiring. Although panellists reported a third successive monthly rise in operating expenses – linked in part to dealing with COVID-19 (such as the purchase of PPE) and supplier stock shortages – the rate of inflation was modest amid reports of lower employment costs.

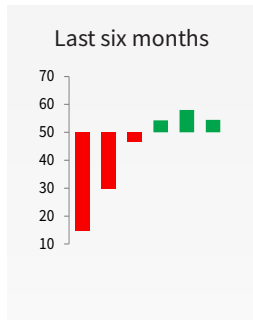
Indeed, latest data indicated that employee numbers in the UK service sector continued to fall. Whilst easing to the slowest since March, the rate of job losses was again marked amid evidence of ongoing spare capacity despite some tentative evidence of emerging capacity pressures: backlogs of work increased modestly during September, and for the first time in two years.

Services Business Activity Index

sa, >50 = growth since previous month



NEW BUSINESS INDEX

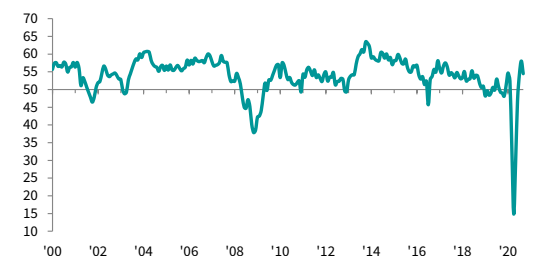


A third successive monthly increase in levels of incoming new business was recorded during September, although the rate of growth was noticeably lower than in August when new work rose to the greatest degree since December 2016.

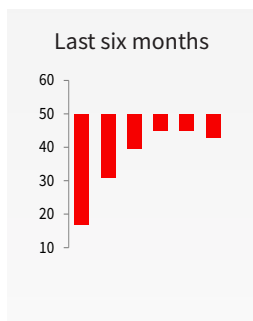
Nonetheless, despite the slowdown, growth was marked amid reports that sales were increasing, especially those between businesses. Real estate activities were also reportedly being boosted by strong housing market activity.

New Business Index

sa, >50 = growth since previous month



NEW EXPORT BUSINESS INDEX

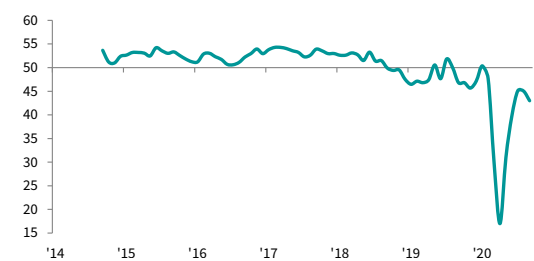


Service providers continued to signal markedly lower volumes of new export business from abroad during September. After accounting for seasonal factors, the New Export Business Index remained well below the 50.0 no-change mark.

Measures related to curbing COVID-19 were widely reported to be continuing to undermine new export business, especially for those businesses related to international tourism.

New Export Business Index

sa, >50 = growth since previous month



OUTSTANDING BUSINESS INDEX

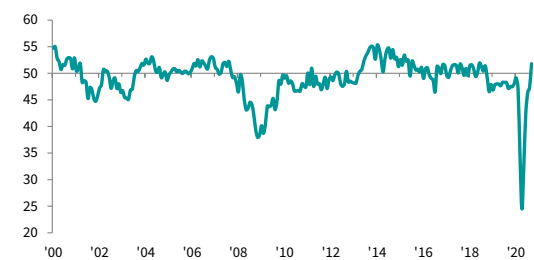


For the first time in two years, the seasonally adjusted Outstanding Business Index moved back above the 50.0 no-change mark in September. Modest growth contrasted sharply to the considerable reductions seen earlier in the year around the height of the pandemic.

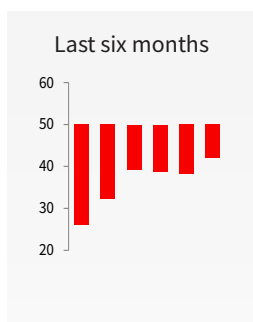
Service providers noted that backlog accumulation was building as markets continued to reopen, sales were picking up and activity increasing.

Outstanding Business Index

sa, >50 = growth since previous month



EMPLOYMENT INDEX

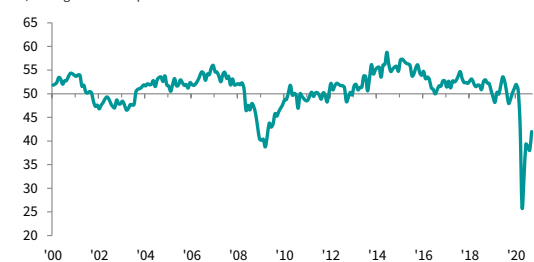


A seventh successive monthly fall in staffing levels was signalled during September and, although the weakest since March, the rate of contraction remained sharp.

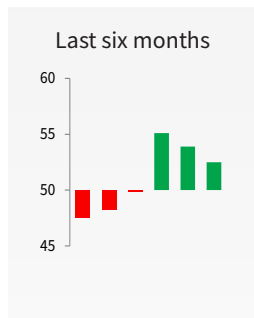
Despite the recent uplift in growth in some areas of the services economy, levels of activity remain down on those seen prior to the onset of COVID-19, and subsequently weighed on staffing needs. Panellists noted in some instances forced redundancies, with cost considerations a key feature. Several firms indicated that the winding down of the government furlough scheme had led to employment losses.

Employment Index

sa, >50 = growth since previous month



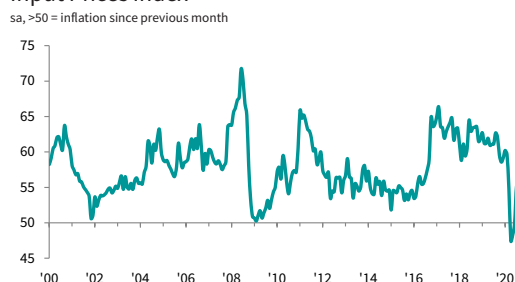
INPUT PRICES INDEX



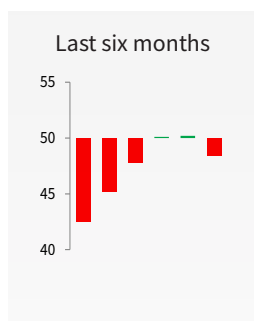
The seasonally adjusted Input Prices Index remained above the 50.0 no-change mark during September, to signal a third successive monthly increase in operating expenses faced by UK service providers. The rate of inflation was, however, modest and the slowest in the current sequence.

Several companies reported that the tapering of the furlough scheme was raising employment costs, whilst others noted higher prices from suppliers amid product shortages. Higher costs related to dealing with COVID-19 were also reported.

Input Prices Index



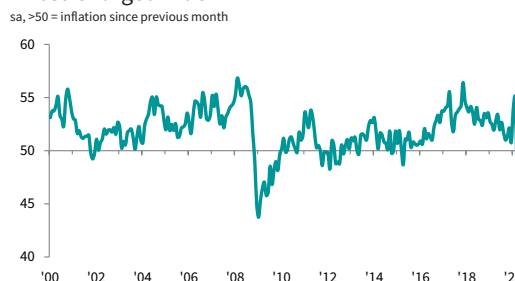
PRICES CHARGED INDEX



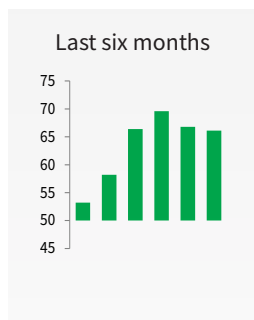
For the first time in three months, average prices charged by UK service providers were reduced in September, as signalled by the seasonally adjusted Prices Charged Index slipping below the 50.0 no-change mark.

Competitive pressures, the need to generate sales and promotional activities were all noted as reasons for the cut in output charges by panellists.

Prices Charged Index



FUTURE ACTIVITY INDEX



On average, service providers remained confident about business activity over the coming 12 months. Whilst comfortably above the 50.0 no-change mark, the Future Activity Index did however fall to its lowest level since May to indicate an easing of sentiment since August.

Panellists are hopeful of a sustained recovery in consumption from the pandemic over the coming year, with the investment in new products and services expected to bear fruit. Any uncertainties related to Brexit should also have passed by mid-2021, according to several panellists.

Future Activity Index



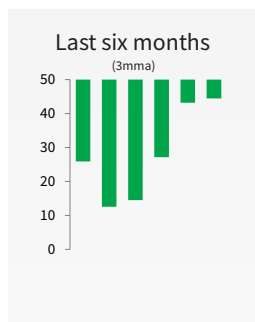
INDEX SUMMARY

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*
04 '20	13.4	14.8	17.0	24.5	26.1	47.5	42.5	53.2
05 '20	29.0	29.6	31.0	32.6	32.2	48.3	45.2	58.2
06 '20	47.1	46.8	39.7	42.3	39.3	49.9	47.8	66.4
07 '20	56.5	54.3	45.1	46.3	38.8	55.1	50.1	69.6
08 '20	58.8	58.0	45.0	47.3	38.1	53.9	50.2	66.8
09 '20	56.1	54.5	43.0	51.8	42.0	52.5	48.4	66.1

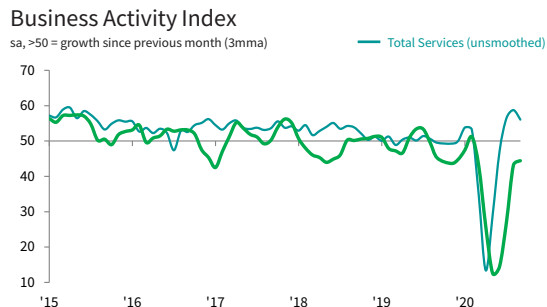
SERVICES SUB-SECTORS: THREE-MONTH MOVING AVERAGE

HOTELS, RESTAURANTS & CATERING

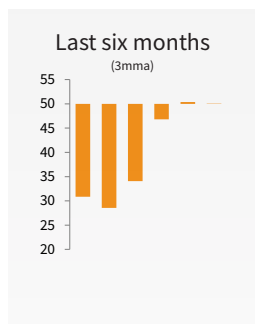


The Hotels, Restaurants & Catering sector registered another fall in business activity over the three months to September, although the rate of contraction continued to ease. However, this was largely driven by a strong August, when the government’s Eat Out to Help Out scheme supported the sector.

Indeed, September saw a return to sharply falling activity as the scheme was wound up. In some instances, the recent curfews introduced by the government were reported to have negatively impacted on trade.

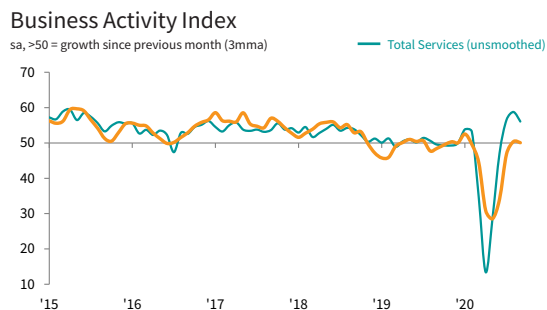


TRANSPORT & COMMUNICATION SERVICES

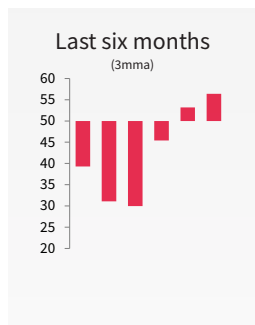


There was little change in underlying activity in the Transport & Communications Services sector during the three months to September. A general lack of incoming new business was again a principal factor behind the still subdued performance of activity.

Moreover, firms continued to make substantial reductions to their staffing levels, according to the latest data.

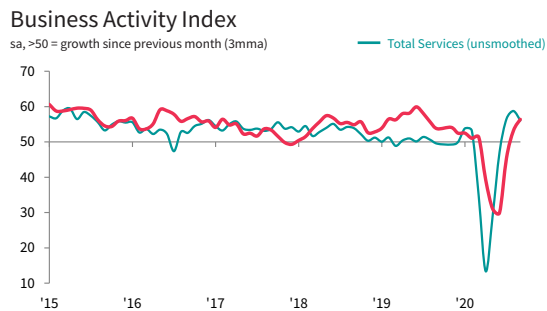


COMPUTING & IT SERVICES

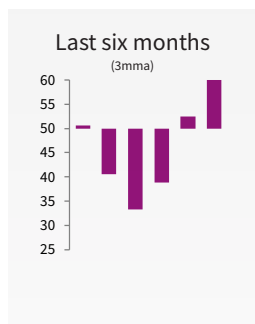


The Computing & IT Services economy remained one of the better performers of the UK services economy during the three months to September, expanding at the fastest rate for over a year. A combination of firmer growth in new business and work on existing contracts helped to support activity.

Companies also added to their staffing levels, the first time since March a net increase has been registered. Moreover, the sector was the only area of the services economy to register employment growth.

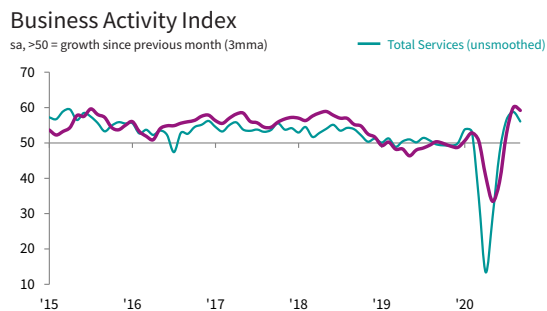


FINANCIAL INTERMEDIATION



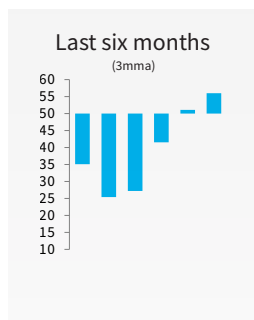
Growth of the Financial Intermediation sector remained strong during the three months to September, confirming the sub-sector as the best performing area of the UK services economy (in terms of output). Activity was reported to have increased markedly in response to strong gains in new business.

Nonetheless, companies continued to cut their staffing levels at a marked rate as the uncertain outlook continued to weigh on staffing decisions.



SERVICES SUB-SECTORS

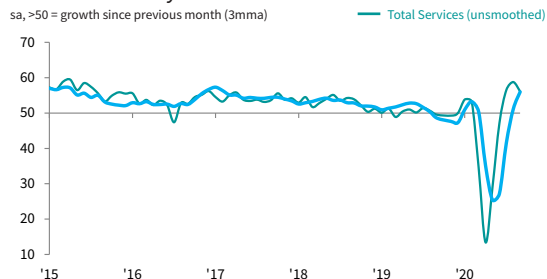
BUSINESS-TO-BUSINESS SERVICES



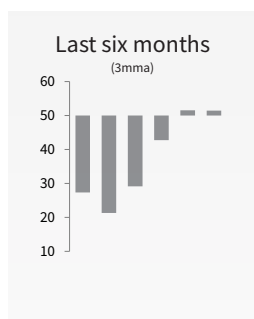
Business-to-Business services maintained its recovery from the most severe impacts of the pandemic, expanding at a marked and accelerated pace during the three months to September. Latest data indicated that the net gain in activity was the best recorded for over three-and-a-half years as firms benefited from a strong uplift in new work.

Nonetheless, evidence of spare capacity in the sector continued and firms subsequently chose to make (on average) another round of job cuts during the month.

Business Activity Index



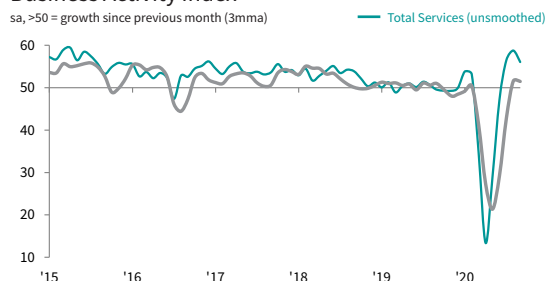
OTHER PERSONAL & COMMUNITY SERVICES



Modest growth of activity was registered across the Other Personal & Community Services during the latest three-month period, although this belied a downturn during September when activity fell following two months of expansion (linked to a fall in new business in the latest survey period).

Moreover, despite business confidence in the sector continuing to recover, job losses were again severe and amongst the heaviest seen across the services economy during the three months to September.

Business Activity Index



Services Sub-sector Index Summary, Jul'20 - Sep'20

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

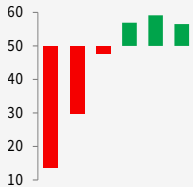
	Business Activity	New Business	Outstanding Business	Employment	Input Prices	Prices Charged	Future Activity*
Hotels, Restaurants & Catering	44.4	51.6	38.3	35.3	65.3	48.8	52.9
Transport & Communication Services	50.1	49.6	45.1	42.4	55.2	51.6	61.5
Computing & IT Services	56.4	52.9	45.5	51.8	55.5	48.8	73.4
Financial Intermediation	59.2	56.8	52.3	43.3	52.9	48.4	65.5
Business-to-Business Services	56.0	54.4	49.0	44.6	52.6	48.6	65.2
Other Personal & Community Services	51.5	51.9	41.9	34.7	58.6	51.8	69.7

IHS MARKIT UK COMPOSITE PMI®

Growth eases, but remains strong heading into final quarter of 2020

COMPOSITE OUTPUT INDEX

Last six months



The UK Composite Output Index, a weighted average of the UK Manufacturing Output Index and the UK Services Business Activity Index, eased from August's six-year high of 59.1 in September, but remained well above the 50.0 no-change mark to signal another month of sharp growth. After accounting for seasonal factors, the index recorded 56.5 to signal a third month of growth.

Latest data showed slower gains in output across the private sector, although for both manufacturing and services rates of expansion remained sharp. Goods producers continued to lead the way, expanding at a pace that outstripped services for the third month in a row.

Less positive, however, was on the jobs front, with private sector employment continuing to fall at a steep rate. September marked a seventh successive month of job losses, with the greater decline again seen in services.

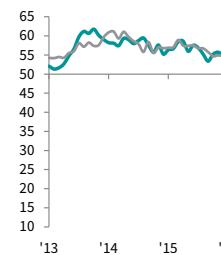
Cost considerations amid an uncertain near-term outlook continued to weigh on the labour market.

That said, confidence about the future remained positive, with manufacturers especially upbeat compared to counterparts operating in the services economy, where sentiment fell to its lowest in the past four months.

**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.*

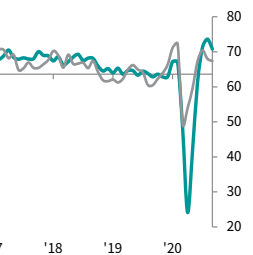
Output Index

sa, >50 = growth since previous month



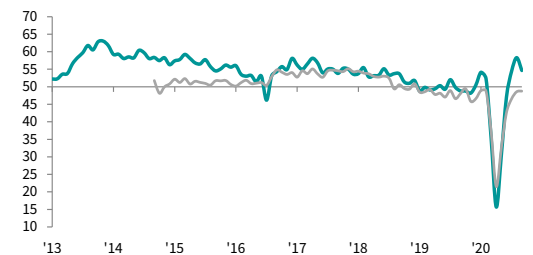
Future Output Index

>50 = growth expected over next 12 months



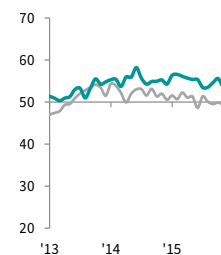
New Business Index / New Export Business Index

sa, >50 = growth since previous month



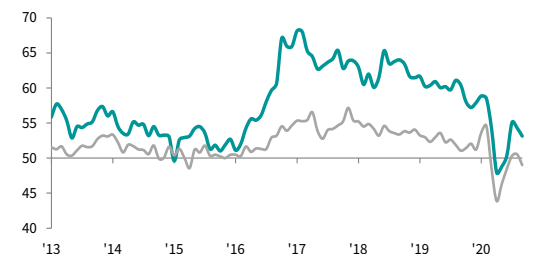
Employment Index / Outstanding Business Index

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.

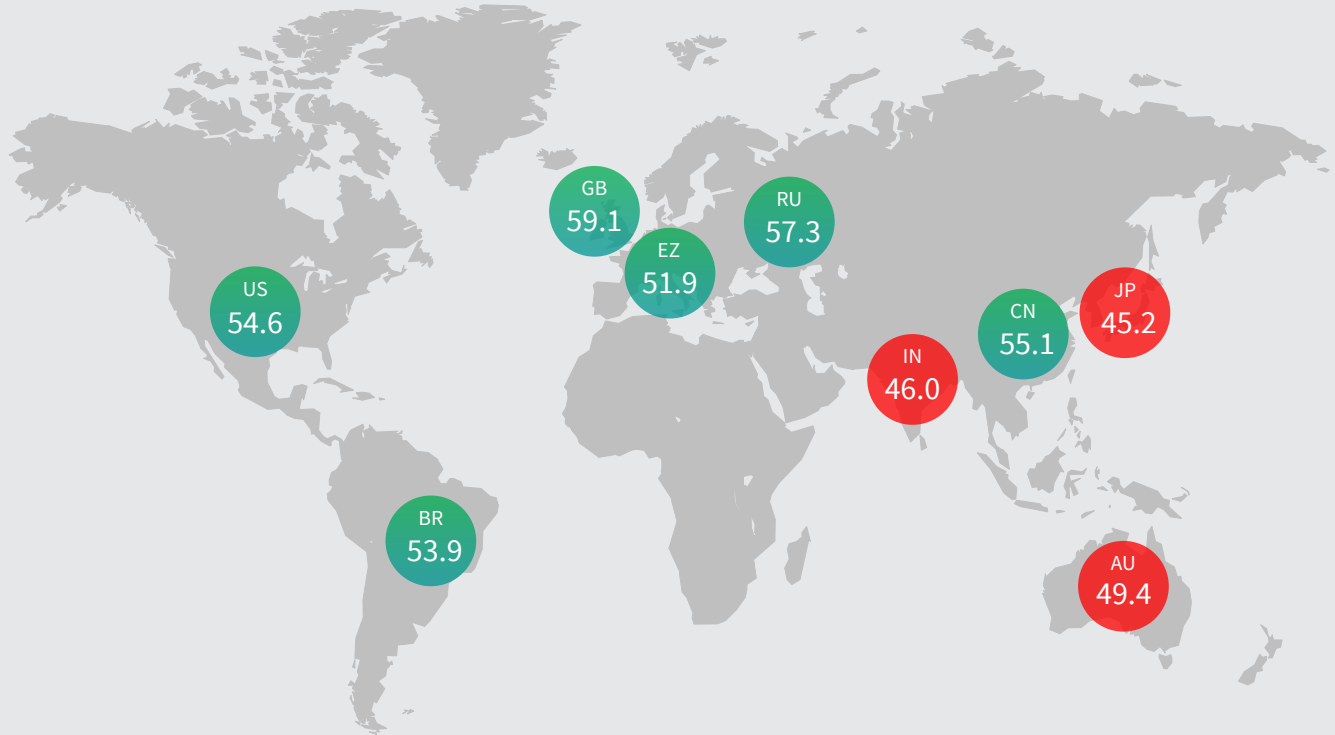
	Output	New Business	New Export Business	Outstanding Business	Employment	Input Prices	Output Prices	Future Output*
04 '20	13.8	15.7	21.5	26.2	26.4	47.9	43.9	53.9
05 '20	30.0	30.5	32.6	34.0	32.1	48.8	46.3	59.5
06 '20	47.7	47.0	42.6	42.2	39.6	50.4	48.5	67.3
07 '20	57.0	54.4	46.5	46.6	39.6	55.1	50.3	70.4
08 '20	59.1	58.3	48.6	47.3	39.0	54.3	50.5	68.0
09 '20	56.5	54.7	48.8	50.8	42.7	53.1	49.0	67.4

INTERNATIONAL PMI

Composite Output Index, Aug '20

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.

September data were collected 11-28 September 2020.

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

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 40 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.

ihsmarkit.com/products/pmi.html

About CIPS

The Chartered Institute of Procurement & Supply (CIPS) is the world's largest procurement and supply professional organisation. It is the worldwide centre of excellence on purchasing and supply management issues. CIPS has a global community of 200,000 in over 150 countries, including senior business people, high-ranking civil servants and leading academics. The activities of procurement and supply chain professionals have a major impact on the profitability and efficiency of all types of organisation and CIPS offers corporate solutions packages to improve business profitability. www.cips.org