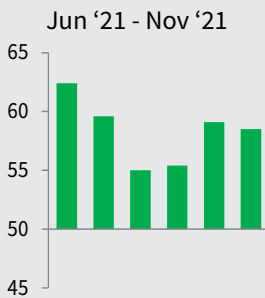




UK Services Business Activity Index



Strongest increase in new work since June

Output growth eases slightly from October's three-month high

Input costs and prices charged rise at record rates in November

A strong recovery in UK service sector activity continued during November, helped by the fastest rise in new business intakes for five months. Export sales were a key factor supporting growth across the service economy in November, with looser travel restrictions contributing to the steepest upturn in new business from abroad since March 2017.

The latest survey data highlighted another round of rapid cost inflation, driven by higher fuel prices, wages and utility bills. Prices charged by service providers also increased at the fastest rate since the survey began in July 1996.

The headline seasonally adjusted IHS Markit/CIPS UK Services PMI® Business Activity Index registered 58.5 in November, down only slightly from October's three month high of 59.1. As a result, output growth in the final quarter of 2021 remains well on track to exceed that seen in Q3

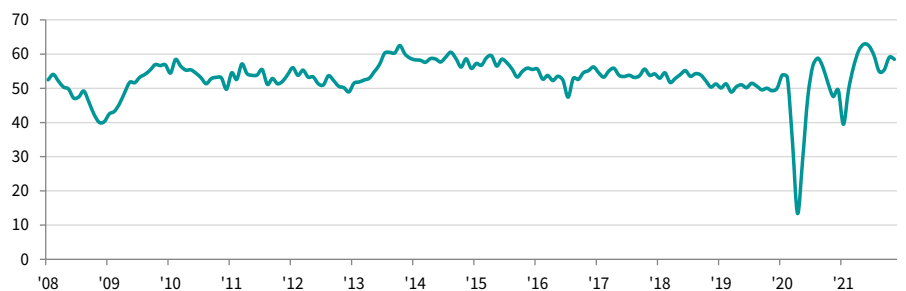
(average reading 56.7). Strong output growth was mostly attributed to a swift recovery in client demand, although some firms noted that shortages of staff and supply chain issues had acted as a constraint on expansion in November.

New business growth accelerated for the second month running in November and was the strongest since June. Twice as many survey respondents (32%) signalled a rise in new orders as those that reported a decline (16%). Service providers often commented on strong business and consumer spending, reflecting improving economic conditions and a sustained boost from reopening.

Export sales gained momentum in November, with the rate of growth the steepest for over four-and-a-half years. Companies reporting a rise in new work from abroad mainly cited increased travel bookings and higher levels of spending by

continued...

UK Services Business Activity Index
sa, >50 = growth since previous month



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overseas visitors. Some firms commented on greater export sales due to a rebound in international business travel.

Service providers continued to indicate robust demand for staff in November, with employment numbers rising for the ninth consecutive month. The rate of job creation was the least marked since July, although the slowdown largely reflected difficulties finding candidates to fill vacancies. Survey respondents again commented on disruptions due to unexpected staff departures for higher wages or lifestyle changes.

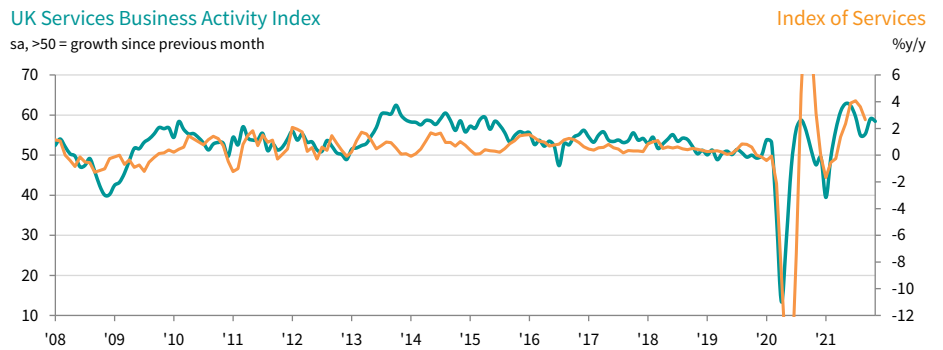
Imbalance demand and supply contributed to another build up of unfinished work in November. Moreover, the rate of backlog accumulation was the steepest for four months.

November data pointed to surging input

costs as suppliers passed on higher raw material prices and transportation bills. Service providers also noted escalating wage pressures and a spike in energy costs. Measured overall, the latest rise in input prices was the strongest in more than 25 years of data collection.

Prices charged by service sector firms also rose at a survey-record pace in November. Higher output charges mostly reflected increased operating expenses, although some firms commented that constrained supply and clients' focus on delivery schedules had helped to boost pricing power.

Finally, staff shortages and supply chain constraints continued to hold back expectations in the service sector. The degree of optimism about business activity growth was the lowest for 12 months.



Sources: IHS Markit, CIPS, ONS.



Comment

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

"Surging price pressures have done little to dent business and consumer spending across the UK economy, according to the latest PMI data. New order growth hit a five-month high in November, job creation remained strong, and backlogs of work built up due to supply issues.

"The overall speed of recovery looks to have accelerated in comparison to the third quarter of 2021, with output growth mostly driven by services as manufacturers struggle with severe shortages of raw materials and critical components.

"The vast majority of survey responses in November were received prior to the news of the Omicron variant, however, which has the potential to derail near-term growth prospects and add to international supply chain disruption.

"Hospitality has been a top-performing area of the UK economy in recent months and looser international travel restrictions delivered a considerable boost to export sales in November. Worryingly, the fastest-growing parts of the service sector are also the most exposed to the return of tighter pandemic restrictions, especially as we approach the crucial festive spending period."

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

"Services provision in the UK continued to expand in November with only a small fallback in growth from October as domestic pipelines of work perked up and overseas orders piled in at the fastest rate since March 2017.

"This ongoing demand was fuelled by a slight recovery in supply chain performance in some quarters and travel opportunities opened up for more business. Firms were keen to improve on their capacity as hiring levels were maintained even if job seekers kept the upper hand in terms of choice and salary uplifts. Consumers were eager to enjoy the upcoming holidays and spend from their pandemic piggy banks in spite of prices rising at their highest levels since July 1996.

"With all these reasons to be jolly, firms remained short on festive cheer. Business optimism registered at the lowest level since November 2020 as higher wages, fuel, and material costs were still giving businesses a hangover. Input prices rose to another survey record with 64% of supply chain managers paying more to keep their businesses operating, which begs the question – how long can this continue and can businesses keep up?"



Activity and demand

Business activity

UK service providers indicated a strong increase in business activity during November, which extended the current period of growth to nine months. Survey respondents noted a continued boost from the reopening of the UK economy and subsequent rises in business and consumer spending.

New business

The latest survey data pointed to the fastest rise in new order volumes since June. Higher levels of client demand were attributed to looser pandemic restrictions and improving economic conditions at home and abroad. The seasonally adjusted New Business Index has posted above the neutral 50.0 value in each month since March.

New export business

November data highlighted that new work from abroad gained considerable momentum, with the index signalling the fastest rate of expansion since March 2017. Rising volumes of new export business were overwhelmingly linked to the easing of international travel restrictions.

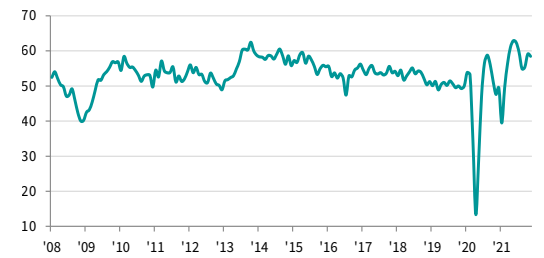
Survey respondents widely commented on increased travel bookings and higher levels of spending by overseas visitors. There were also reports citing a boost to sales from a rebound in international business travel.

Business Activity Index

sa, >50 = growth since previous month

58.5

Nov '21

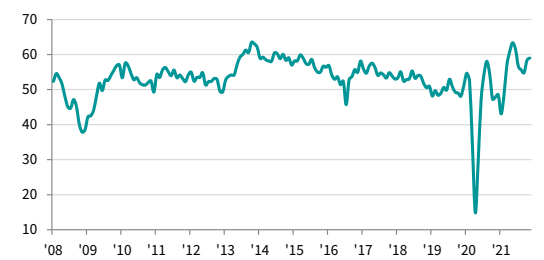


New Business Index

sa, >50 = growth since previous month

59.0

Nov '21



New Export Business Index

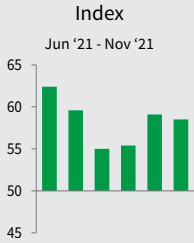
sa, >50 = growth since previous month

54.1

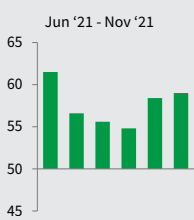
Nov '21



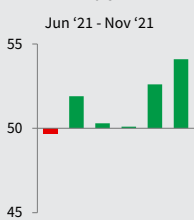
Business Activity Index



New Business Index

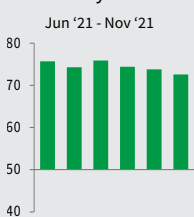


New Export Business Index



Business expectations

Future Activity Index



The Future Activity Index remained well above the crucial 50.0 no-change threshold in November, to signal a strong degree of confidence regarding the outlook for business activity across the service economy. However, the latest reading was the lowest since November 2020.

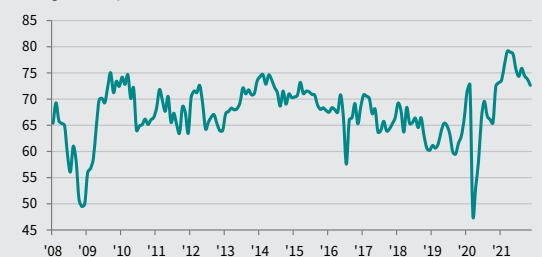
Survey respondents commented that staff shortages and supply chain issues were the main factors holding back optimism.

Future Activity Index

>50 = growth expected over next 12 months

72.6

Nov '21



Employment and capacity

Employment

The seasonally adjusted Employment Index highlighted another month of robust job creation at service sector companies. The latest increase in staffing levels was the slowest for four months, but still much faster than seen before the pandemic.

Anecdotal evidence suggested that stronger customer demand and successful efforts to fill vacancies had contributed to rising workforce numbers. However, service providers continued to note that shortages of available candidates and unexpected staff departures had held back employment growth.

Outstanding business

Staff shortages and ongoing supply chain difficulties led to another build up of unfinished work in November. The seasonally adjusted Outstanding Business Index signalled the fastest rate of backlog accumulation since July.

Supplier performance

A newly introduced question regarding vendor performance across the service sector signalled a rapid decline in supplier quality during November. Longer lead times were commonly attributed to transportation delays, staff shortages and a lack of raw materials among suppliers.

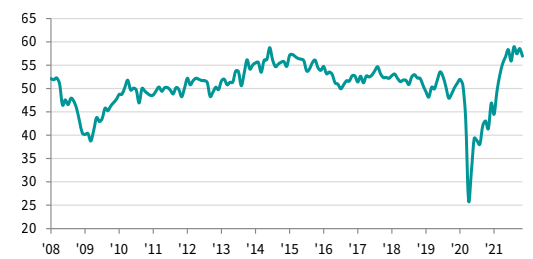
Around 34% of the survey panel reported a decline in supplier performance since October, while only 1% noted an improvement.

Employment Index

sa, >50 = growth since previous month

56.9

Nov '21

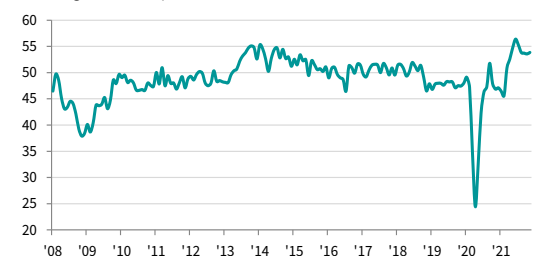


Outstanding Business Index

sa, >50 = growth since previous month

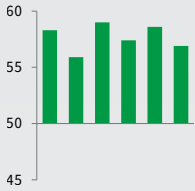
53.9

Nov '21



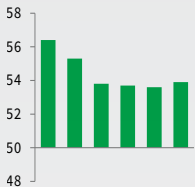
Employment Index

Jun '21 - Nov '21



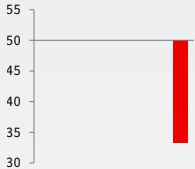
Outstanding Business Index

Jun '21 - Nov '21



Supplier Performance Index

Jun '21 - Nov '21



33.2
Nov '21



Prices

Input prices

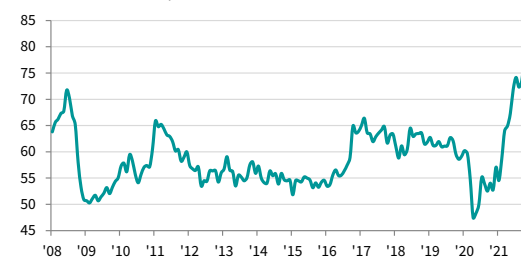
Average cost burdens increased at a rapid pace in November, with the seasonally adjusted index reaching a fresh record high. Around 64% of the survey panel reported a rise in input prices, while only 1% noted a fall. Higher fuel prices, wages and utility bills were by far the most commonly cited reasons for increased operating expenses.

Input Prices Index

sa, >50 = inflation since previous month

82.0

Nov '21



Prices charged

The seasonally adjusted Prices Charged Index pointed to a further substantial rise in average prices charged by service sector companies. Moreover, the latest reading was the highest since the survey began in July 1996.

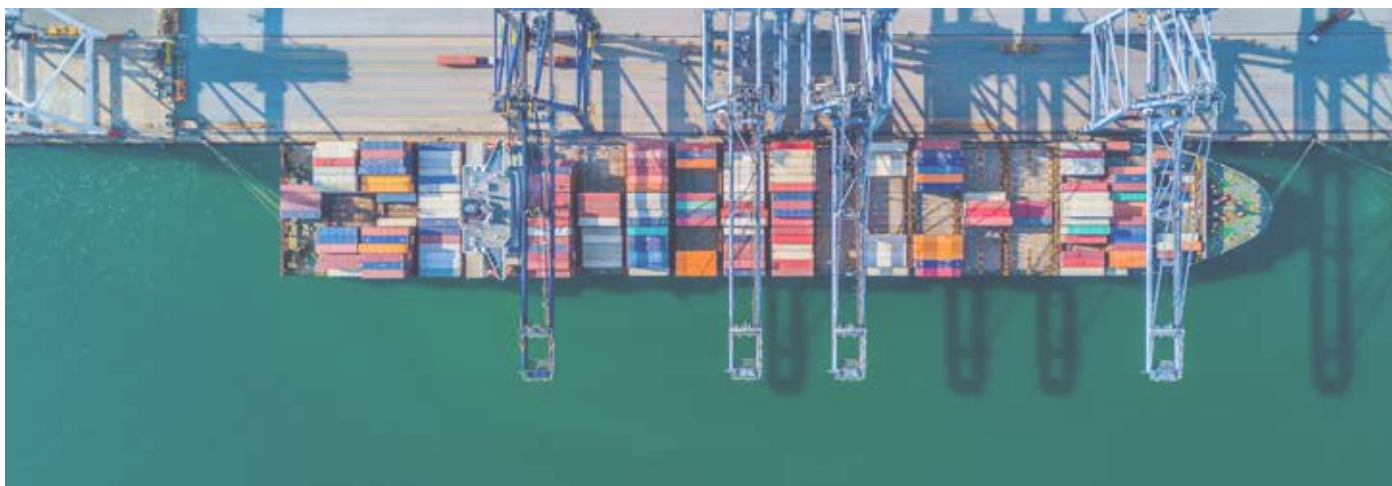
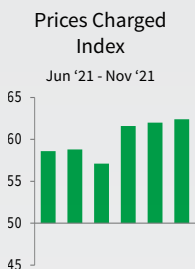
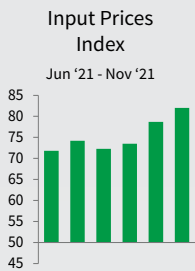
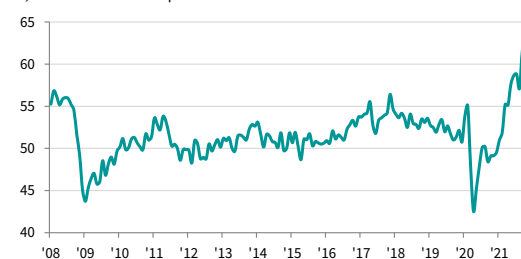
Survey respondents mostly noted that strong customer demand had allowed them to pass on escalating input costs. There were also some reports that clients' preference for speed of delivery over cost had resulted in improved pricing power.

Prices Charged Index

sa, >50 = inflation since previous month

62.4

Nov '21



Purchased goods and services

The following lists show bought-in goods and services reported as being up in price, down in price or in short supply during the latest survey period. Items may be listed as having both risen and fallen in price. This may reflect alternative supply sources (e.g. domestic versus imported), or differences in unit prices due to differing volumes ordered. The lists also show the reporting sector for each item, according to Standard Industry Classification codes (SIC) codes.

SIC codes			
55	Hotels & Restaurants	65	Banking
60	Land Transport and Pipelines	66	Insurance and Pensions
61	Water Transport	67	Other Financial Services
62	Air Transport	70	Real Estate
63	Supporting Transport Activities	71	Renting of Goods
64	Post and Telecommunications	72	Computer Services
		73	Research and Development
		74	Other Business Activities
		80	Education
		85	Health Care
		91	Membership Organisations
		92	Recreational, Cultural and Sporting Activities
		93	Other Service Activities

Up in price

Metals	SIC
Aluminium	72,70,74
Copper	64, 74
Metals	60, 63, 71, 74
Sheet Metal	70, 74
Stainless Steel	74
Steel	55, 70, 71, 74
Chemicals	SIC
Chemicals	63, 74, 92
Cleaning Chemicals	55, 63, 71, 91
Electrical/Electronics	SIC
Computer Components	55, 85
Electrical Components	60, 64, 71, 72, 74
Electronics	64, 72, 74, 85
Semiconductors	60
Plastics	SIC
Plastics	70, 72, 74
Paper/Timber	SIC
Paper	55, 70, 71, 74, 80, 91
Timber	63, 70, 74, 92
Wood	55
Packaging	SIC
Packaging Materials	55, 64, 74
Textiles/Fabrics	SIC
Curtains	63
Linens	55, 63
Upholstery	74
Energy	SIC
Electricity	55, 63, 67, 70, 74, 92
Energy	55, 65, 70, 91, 92,
Fuel	60, 62, 70, 71, 72, 85, 93
Diesel	55, 60
Gas	70, 71, 74, 92
Natural gas	93
Transport	60, 63, 64, 72, 73, 74, 92, 93
Utilities	55, 63, 65, 67, 70, 71, 74, 80, 92
Food	SIC
Beef	55
Chicken	55
Coffee	71

Dairy	55, 74
Flour	55
Food	55, 60, 62, 63, 70, 71, 80, 85, 92
Miscellaneous	SIC
Advertising	70
Air Freight	63
Building Materials	55, 62, 70, 74, 92
Capital Equipment	60, 63
Chlorine Gas	60
Consultancy Services	64, 70, 74, 91
Concrete	70, 74
Freight	60, 72
Furniture	55, 63, 74
Garden Machinery	55, 60, 64, 70, 71, 74
Glass	74, 91
IT Services	64, 65, 66, 67, 70, 72, 74
IT Software	63, 66, 74, 93
Labour	55, 60
Legal Fees	74
Office Supplies	55, 74, 91
Paint	63
Pallets	63
Plant Equipment	71, 74
Plumbing Materials	70
PPE	65
Printing Supplies	71, 72, 74, 91
Professional Services	55, 66, 74, 91
Shipping	55, 63, 64, 92
Shrink Wrap	70, 72, 74, 80, 92
Stone	63, 67
Telecoms	55, 60, 74
Vehicles	55, 63, 70, 71, 90
Wages	64, 74, 91
Warehousing	74, 92
Water	55, 60, 62

Down in price

Energy	SIC
Electricity	74
Fuel	74
Chemicals	SIC
Acetone	63
Paper/Timber	SIC
Decking	70
Lumber	70

Miscellaneous	SIC
Office Supplies	64, 74
PPE	60, 63, 71, 74
Premises	74, 92
Telecomms	65

In short supply

Metals	SIC
Metals	55, 74
Steel	60, 71, 74
Electrical/Electronic	SIC
Batteries	64
Circuit Boards	60, 63, 74
Electronic Parts	63, 71, 73, 74
Semiconductors	72, 74
Food	SIC
Beverages	55
Flour	55
Fruit	55, 92
Pasta	55
Teabags	65
Paper/Timber	SIC
Card	55, 74
Paper	55, 63, 72, 74, 80, 92
Timber	60, 65, 92
Wood	55, 92
Miscellaneous	SIC
Aircraft Capacity	60
Building Materials	55, 70, 74, 92
Cement	60
Contractors	70
Furniture	70, 71
Glass	55
HGV Vehicles	60, 63, 72, 90
IT Hardware	55, 62, 64, 65, 66, 71, 72, 74, 80, 92
Labour	60, 63, 71, 72, 74
Plastics	72, 74
Radiators	74
Uniforms	63
Vehicles	60, 63, 65, 66, 70, 74
Vehicle Components	60, 65
Warehouse Space	60
Windows	71

Services sub-sectors: Three-month moving average

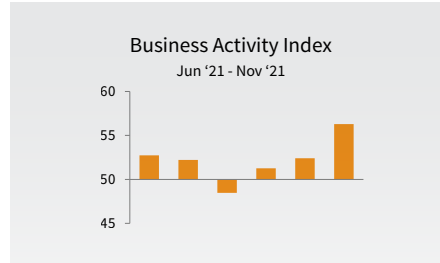
Hotels, restaurants & catering



Hotels, Restaurants & Catering companies reported a sustained recovery in business activity during the three months to November. However, the rate of expansion eased sharply to its weakest since May.

Input costs increased rapidly in the Hotels, Restaurants & Catering segment during the latest survey period, with the rate of inflation remaining stronger than seen in all other sub-sectors.

Transport & communication



Business activity in the Transport & Communication Services sub-sector expanded at a robust and accelerated pace. The rate of growth was the sharpest for six months, driven by a marked rebound in new order volumes.

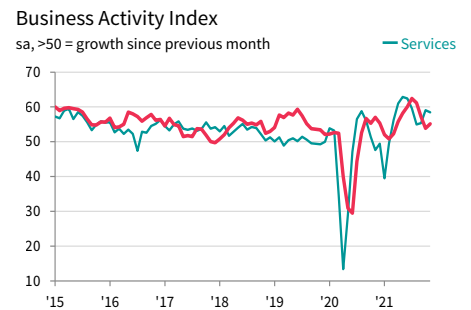
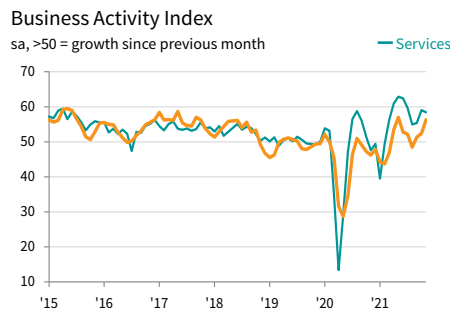
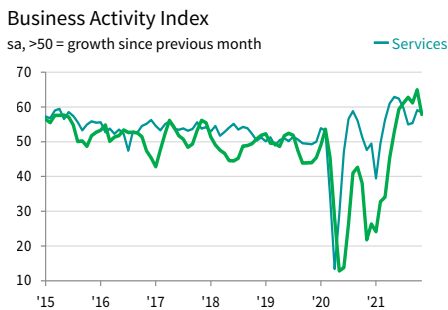
Staffing levels increased at the fastest rate since the pandemic began, although the degree of job creation was only modest.

Computing & IT services



November data indicated that Computing & IT service providers regained momentum, although business activity growth remained weaker than seen during the summer.

Computing & IT services retained its position as one of the best-performing sub-sectors for employment growth during the three months to November.



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



Services sub-sectors: Three-month moving average

Financial intermediation



Business activity in the Financial Intermediation category increased at the strongest pace since the three months to July. This was helped by a rebound in new work so far in the final quarter of 2021.

Employment growth remained robust in the three months to November and the speed of job creation outpaced all other sub-sectors monitored by the survey.

Business-to-business services



The latest survey highlighted a marked upturn in activity across the business-to-business services category. However, the rate of growth was the joint-weakest since the three months to March.

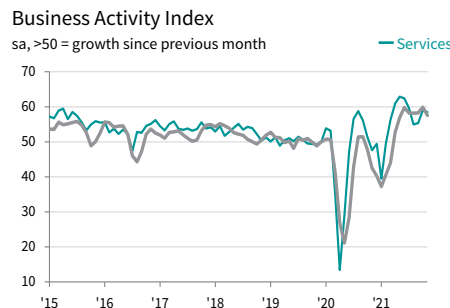
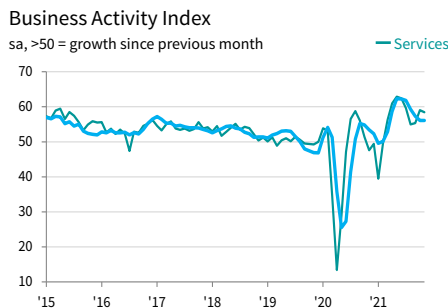
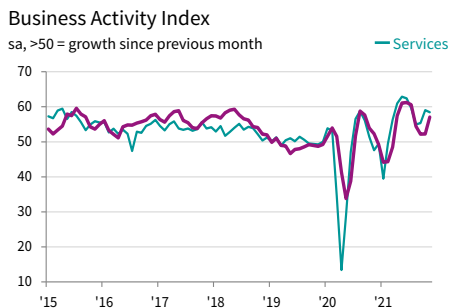
Business-to-business services continued to register a sharper rate of backlog accumulation than all other parts of the service economy.

Other personal & community services



Other Personal & Community Services remained the second-fastest growing segment during the latest survey period. That said, the rate of expansion eased to its least marked since the three months to May.

Staffing numbers fell slightly during the latest survey period, which contrasted with the positive employment trends seen in the rest of the service sector.



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



IHS Markit / CIPS UK Composite PMI®

UK private sector firms signal survey-record inflationary pressures

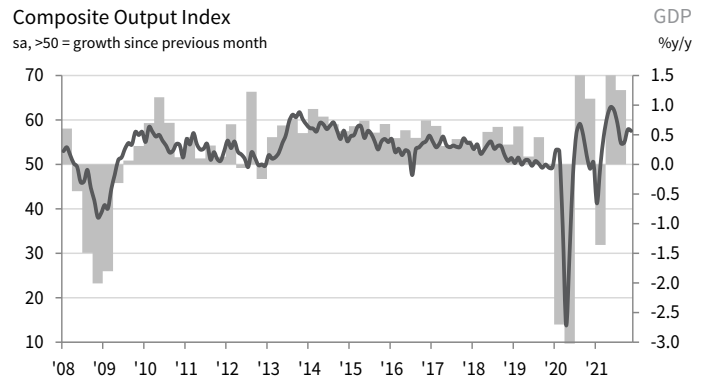
At 57.6 in November, the seasonally adjusted UK Composite Output Index dipped slightly from 57.8 in October but remained above the 50.0 no change threshold for the ninth consecutive month. The composite index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index*.

Service sector growth (index at 58.5) remained much stronger than the recovery in manufacturing production (52.7), with the latter once again held back by shortages of raw materials and electronics components.

November data indicated another sharp rise in private sector employment, although the rate of job creation moderated since October. Weaker rises in staffing levels in the service economy contrasted with an acceleration in hiring across the manufacturing sector to its fastest since August.

Record rates of cost inflation were seen in both the manufacturing and service sectors during November. As a result, the latest rise in operating expenses across the UK private sector was the steepest since this index began in January 1998.

Prices charged by UK businesses also increased at the sharpest pace in more than two decades, reflecting strong demand and continued efforts to pass on higher costs to clients.

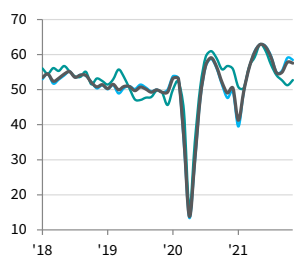


*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

Composite / Manufacturing / Services

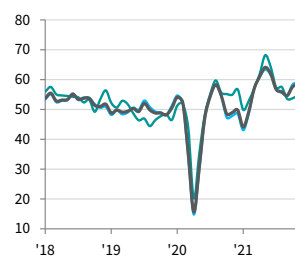
Output Index

sa, >50 = growth since previous month



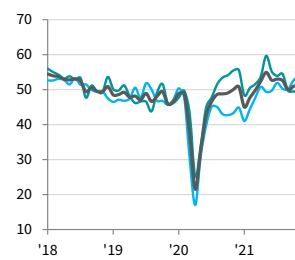
New Business Index

sa, >50 = growth since previous month



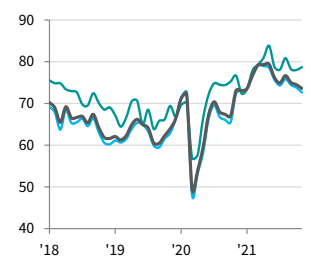
New Export Business Index

sa, >50 = growth since previous month



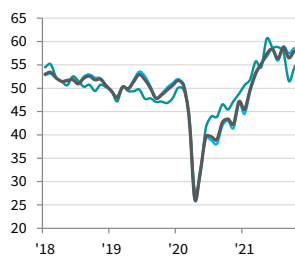
Future Output Index

>50 = growth expected over next 12 months



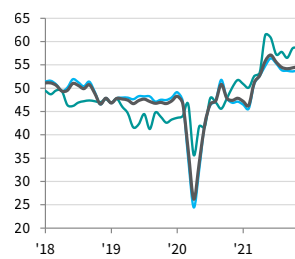
Employment Index

sa, >50 = growth since previous month



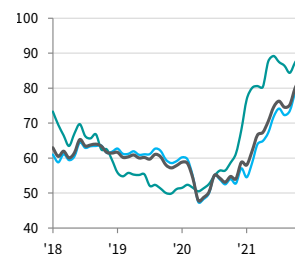
Outstanding Business Index

sa, >50 = growth since previous month



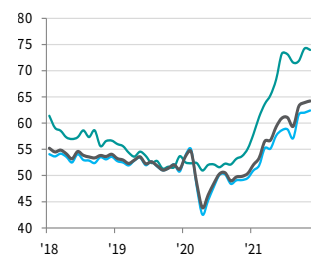
Input Prices Index

sa, >50 = inflation since previous month



Output Prices Index

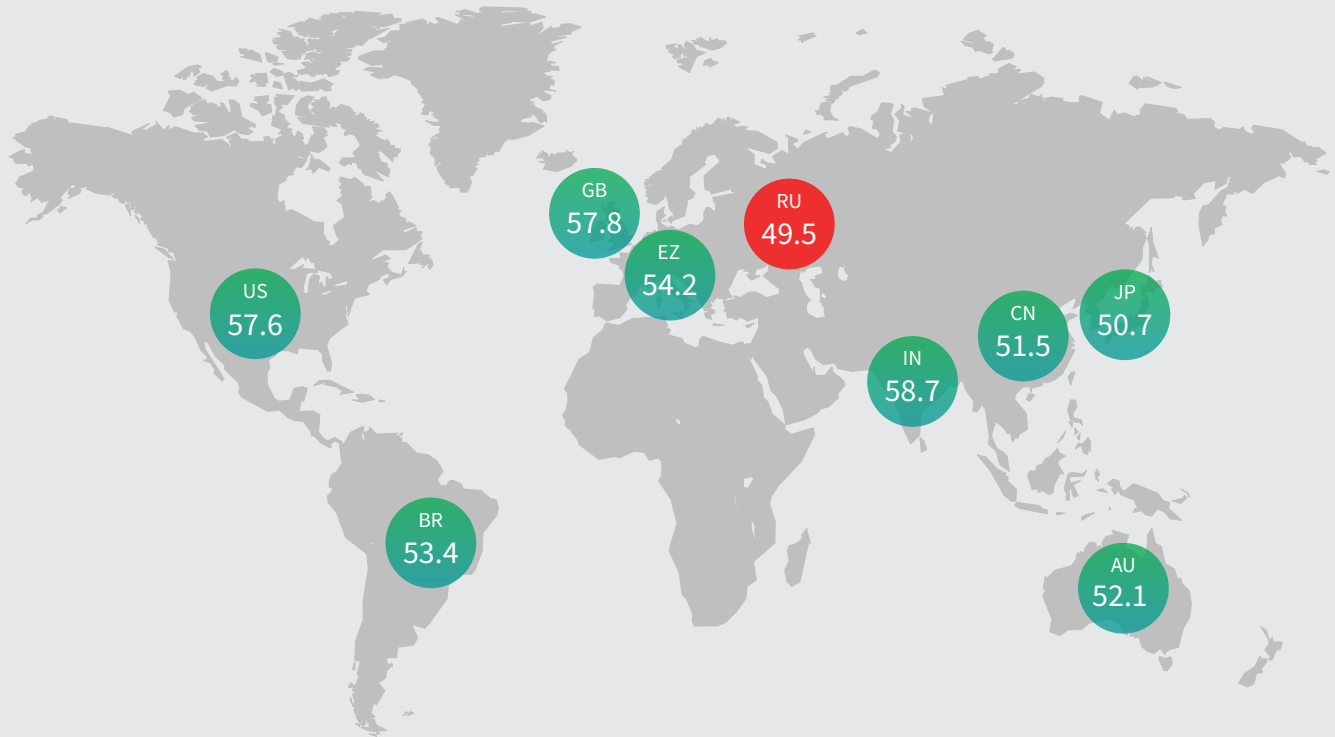
sa, >50 = inflation since previous month



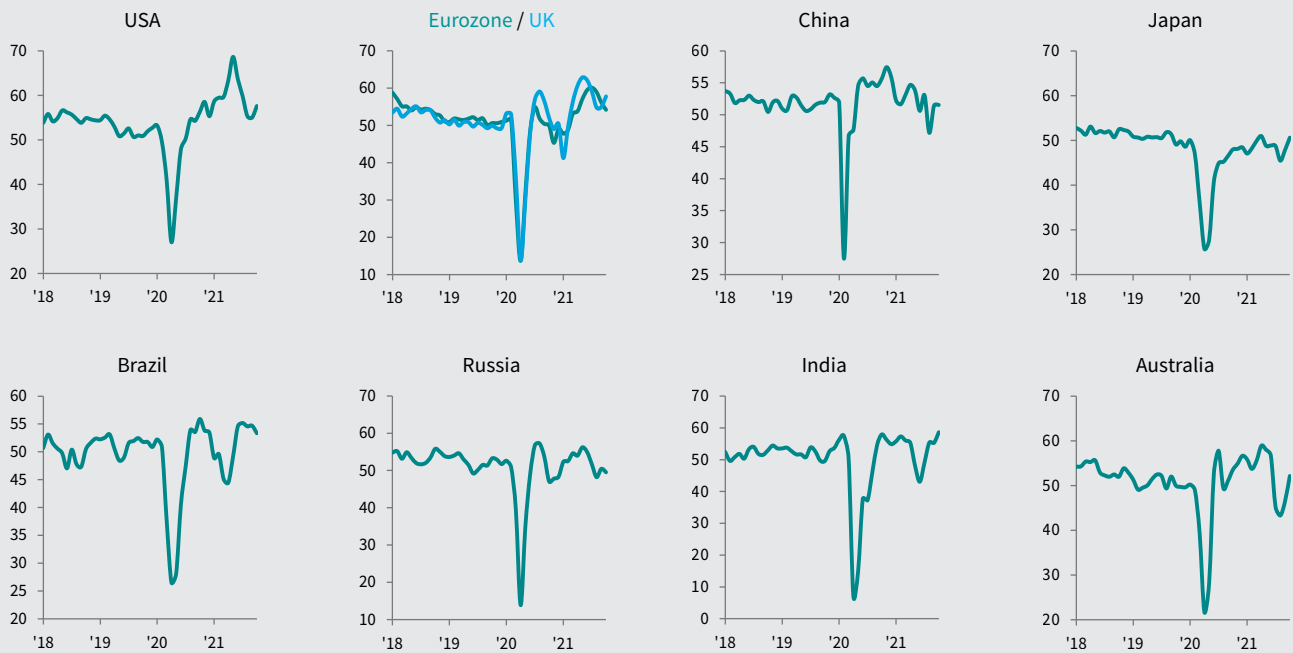
International PMI

Composite Output Index, Oct '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 12-26 November 2021.

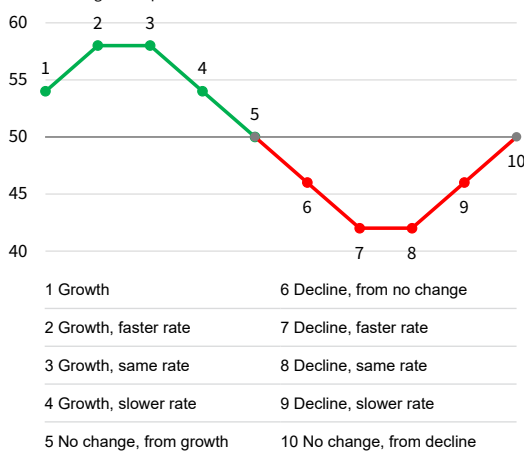
Survey data were first collected July 1996.

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



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
Jun '21	62.4	61.5	49.7	75.7	58.3	56.4	71.8	58.6
Jul '21	59.6	56.6	51.9	74.3	55.9	55.3	74.2	58.8
Aug '21	55.0	55.6	50.3	75.9	59.0	53.8	72.3	57.1
Sep '21	55.4	54.8	50.1	74.4	57.4	53.7	73.5	61.6
Oct '21	59.1	58.4	52.6	73.8	58.6	53.6	78.7	62.0
Nov '21	58.5	59.0	54.1	72.6	56.9	53.9	82.0	62.4

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
Jun '21	62.2	61.9	52.7	76.2	58.4	57.1	74.6	60.9
Jul '21	59.2	56.7	53.0	74.9	56.4	55.6	76.3	61.1
Aug '21	54.8	55.9	52.5	76.7	58.8	54.5	74.5	59.4
Sep '21	54.9	54.6	49.9	75.0	56.5	54.2	75.2	63.2
Oct '21	57.8	57.6	50.9	74.5	57.9	54.4	80.1	63.9
Nov '21	57.6	58.3	51.4	73.6	56.8	54.6	83.2	64.2

By sector, Nov '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	57.9	56.7	64.4	55.1	52.9	91.0	60.2
Transport & Communication Services	56.3	55.7	66.2	50.7	49.5	82.8	68.0
Computing & IT Services	55.1	53.4	81.9	58.3	51.2	70.8	60.7
Financial Intermediation	57.1	54.5	72.0	58.6	52.9	67.9	54.8
Business-to-Business Services	56.1	56.4	71.8	58.0	54.1	76.9	60.9
Other Personal & Community Services	57.5	56.3	72.1	49.7	47.8	76.9	56.7

About IHS Markit

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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.