Reopening of US travel brings international boost for UK services, PMIs show

T
he US border reopening and general relaxing of travel restrictions led to British services firms seeing the sharpest jump in new international business since 2017 last month, according to new figures.

Service sector businesses including airlines and travel agents reported a surge in new work from abroad in November, the closely-watched IHS Markit/CIPS UK Services PMI survey found.

This was mainly due to increased travel bookings and higher levels of spending by overseas visitors. Some firms said a rebound in international business travel also led to growing export sales.

The sector reported seeing its fastest overall rise in new business for the past five months, with over 30% of businesses surveyed saying they saw a rise in fresh trade in the month.

It comes after the West End’s pubcos and retailers reported seeing a rise in footfall and trade – many nearly reaching 2019 levels – in November.

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Despite companies facing rising inflation, the PMI survey – a score of economic health – recorded a reading of 58.5 last month, dipping from 59.1 in October. Any score above 50 is considered to show growth.

Tim Moore, economics director at IHS Markit, said: “The overall speed of recovery looks to have accelerated in comparison to the third quarter of 2021… Surging price pressures have done little to dent business and consumer spending across the UK economy, according to the latest PMI data.”

There are growing worries that the Omicron variant will end the boom and even reverse gains, however. The new variant has already prompted governments around the world to tighten travel restrictions – increasing testing regimes and banning flights to countries including South Africa, where it was sequenced.

The PMIs also showed that although employment numbers rose for the ninth month in a row, they did so more slowly than in October. The survey concluded this reflected companies having difficulties finding candidates to fill vacancies, as staff continued to leave jobs “for higher wages or lifestyle changes”.

He noted that the month’s growth was mostly driven by services as manufacturers “struggle with severe shortages of raw materials and critical components”, however.

Duncan Brock, group director at the Chartered Institute of Procurement & Supply (CIPS), cautioned: “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?”