UK services sector upbeat as activity picks up

The UK services sector has reported its fastest jump in activity for six months, as firms grow increasingly upbeat about the year ahead.

Closely-watched survey the S&P Global/CIPS UK Services Purchasing Managers' Index (PMI) found output and new work increased for second month running in December and at the strongest rate for half a year.

The poll of 650 firms in the sector, including finance, insurance, communication and non-retail consumer companies, also found a seven-month high in optimism about the outlook for 2024.

Some firms also reported better than expected consumer spending on leisure and hospitality services in the run-up to Christmas.

It comes amid expectations that the Bank of England will cut **interest rates** this year, lowering borrowing costs for firms, along with hopes for an improving economic picture overall.

The PMI survey recorded a score of 53.4 for December, up from 50.9 in November. Any figure above 50 suggests growth in the sector.

The figure is better than expect, coming in above previous estimates that it would be 52.7.

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Tim Moore, economics director at S&P Global, said it showed the services sector had “ended last year on a high”.

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He added: “The recovery in client demand was attributed to hopes of lower borrowing costs and an improving global economic backdrop in 2024.

“However, many firms continued to cite challenging underlying business conditions due to the stagnating UK economy and strong pressure on margins from rising labour costs.”

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But Mr Moore said the “main weak spot” for the sector was staff hiring due to ongoing recruitment freezes at many firms and some redundancies.

The service sector accounts for almost 80% of UK output.

The figures will be welcome news to Prime Minister Rishi Sunak, **who has pledged to grow the economy**, ahead of the next general election, which is expected later this year.

Labour and other opposition parties have accused the government of overseeing an economic slump following a series of disappointing growth figures, **raising concerns the UK is at risk of entering a recession**.