New York • London • Boston
DECISION ECONOMICS, INC.
Information for Decisions™

Western European Economic Indicators and Insights

October 3, 2012

Andrew Wroblewski
Chief Economist, Eurozone and UK

London
+44 20 7959 3244
awroblewski@decisioneconomicsinc.com

UK: Services See Increased New Orders

More Decent Activity Data!

Coming in below expectations, the September services PMI dropped 1.5 points to 52.2, thereby unwinding just over half of the bounce seen in August when the headline index saw the highest reading since March. *Data in the last 3-6 months have been affected by an array of distortions, including poor weather and Jubilee celebrations and, most recently, the Olympics.* Even so, a stable but still below-par backdrop is discernible, the latter more evident in the fact that the last-quarter average of 52.3 is little changed from that seen in Q2.

Improving Orders?

According the survey details, *a solid increase in new business supported activity, actually the highest since May, with panelists noting an improvement in demand*, this possibly coming after an Olympics-related lull.

Even so, companies adopted a cautious attitude when it came to employment; payroll numbers were down modestly, the first contraction since last November. Operating expenses continued to rise in September, with the rate of inflation little changed at a marked pace. A number of companies continued to blame higher fuel and energy costs, while some commented on an increase in food prices. Even so, output costs were little changed.

DE View: The survey implies continued sustained growth, albeit slightly below-par, but with promising signs in regard to orders. *This more upbeat theme is probably the one that the BoE may focus on, rather than the month-to-month volatility seen over the summer.*