Office for National Statistics

Statistical bulletin

Index of Services, UK: December 2017

Monthly movements in output for the services industries: distribution, hotels and restaurants; transport, storage and communication; business services and finance; and government and other services.

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Next release:
29 March 2018

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1 . Main points

- Services output increased by 0.6% in Quarter 4 (Oct to Dec) 2017 compared with Quarter 3 (July to Sept) 2017; following growth of 0.4% between Quarter 2 (Apr to June) 2017 and Quarter 3 2017.

- The business services and finance component made the largest contribution to the quartertly growth, contributing 0.38 percentage points.

- In the three months to December 2017, services output increased by 1.4% compared with the three months ending December 2016.

- This release gives the first Index of Services figure for 2017 as a whole, which increased by 1.6% compared with 2016; this is the lowest annual services growth since 2011.

- Services output was flat between November and December 2017.

2 . Things you need to know about this release

The monthly Index of Services (IoS) provides a timely indicator of growth in the output of the services industries and is the largest contributor to the output approach to the measurement of gross domestic product (GDP), accounting for 79.3% of UK GDP in 2015. Also published today (22 Feburary 2018) is the UK GDP, second estimate: October to December 2017.

The IoS measures UK output in: distribution, hotels and restaurants; transport, storage and communication; business services and finance; and government and other services. These data are used to produce seasonally adjusted estimates of output at chained volume measures (removing the effect of inflation). Unless otherwise stated, all estimates included in this release are based on seasonally adjusted data.

The IoS is an important economic indicator and one of the earliest short-term measures of economic activity. It is used in the compilation of the national accounts and widely used by private and public sector institutions, particularly by the Bank of England and Her Majesty's Treasury to assist in informed decision and policy-making.

Data for the latest period are primarily based upon the Monthly Business Survey (MBS) of approximately 26,000 businesses as detailed in MBS Turnover in services industries.

In addition, from the October 2017 bulletin published in December 2017, we have also included VAT data across 35 services industries for small- and medium-sized businesses. These have been used to supplement data from the MBS from January 2016 to June 2017. Further information on the use of VAT data was published in VAT turnover implementation into UK National Accounts: December 2017 update. The supply of VAT turnover data will be updated at the final estimate of GDP within the quarter, in the Quarterly national accounts publication.

Further data is received from a wide variety of data sources as described in the GDP(O) source catalogue.

Data relating to the retail industry are broadly comparable with Retail sales, Great Britain: December 2017, published on 19 January 2018.

This November 2017 release contains revisions from January 2017 and is consistent with the National Accounts Revisions Policy. This means that we have incorporated additional data since this period.

Revisions can be made for a variety of reasons, the most common include:

- late responses to surveys and administrative sources

- forecasts being replaced by actual data

- here revisions to seasonal adjustment factors, which are re-estimated every month and reviewed annually

The UK Index of Services has been designated by the UK Statistics Authority as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

The Office for Budget Responsibility was granted exceptional pre-release access to this Statistical Bulletin at 9: 30am on Tuesday 20 February 2018 so that they can prepare forecasts for the Spring Statement to be published on 13 March 2018. Correspondence between ourselves and the Office for Budget Responsibility is available.

3 . Index of Services (IoS) main figures

Table 1 shows data for the Index of Services (IoS) and each of the main components for December 2017.

Table 1: Index of Services main figures, December 2017

UK						Percentage Change
	Percentage of Services 1	Index number (2015 = 100)	Most recent month on a year earlier	Most recent quarter on a year earlier	Most recent month on previous month	Most recent quarter on previous quarter
Index of Services	100.0	105.0	1.4	1.4	0.0	0.6
Distribution, hotels and restaurants	17.3	106.1	-0.5	-0.1	-1.1	-0.2
Transport, storage and communication	13.2	111.0	2.5	2.3	1.2	1.1
Business services and finance	41.5	105.5	2.4	2.2	0.1	0.9
Government and other services	28.0	100.9	0.6	0.7	0.0	0.2

Source: Office for National Statistics

Notes:

1. Components may not sum to 100% due to rounding.

4 . Latest quarterly growth strongest in 2017

During Quarter 4 (Oct to Dec) 2017, services output increased by 0.6% following growth of 0.4% in Quarter 3 (July to Sept) 2017. This is the strongest Index of Services (IoS) quarterly growth this year and is unrevised from the estimates used in the [Gross domestic product, preliminary estimate: October to December 2017](#) release.

Figure 1: Contributions[1] to growth in services between Quarter 3 (July to Sept) 2017 and Quarter 4 (Oct to Dec) 2017

UK

Figure 1: Contributions^1^ to growth in services between Quarter 3 (July to Sept) 2017 and Quarter 4 (Oct to Dec) 2017

UK
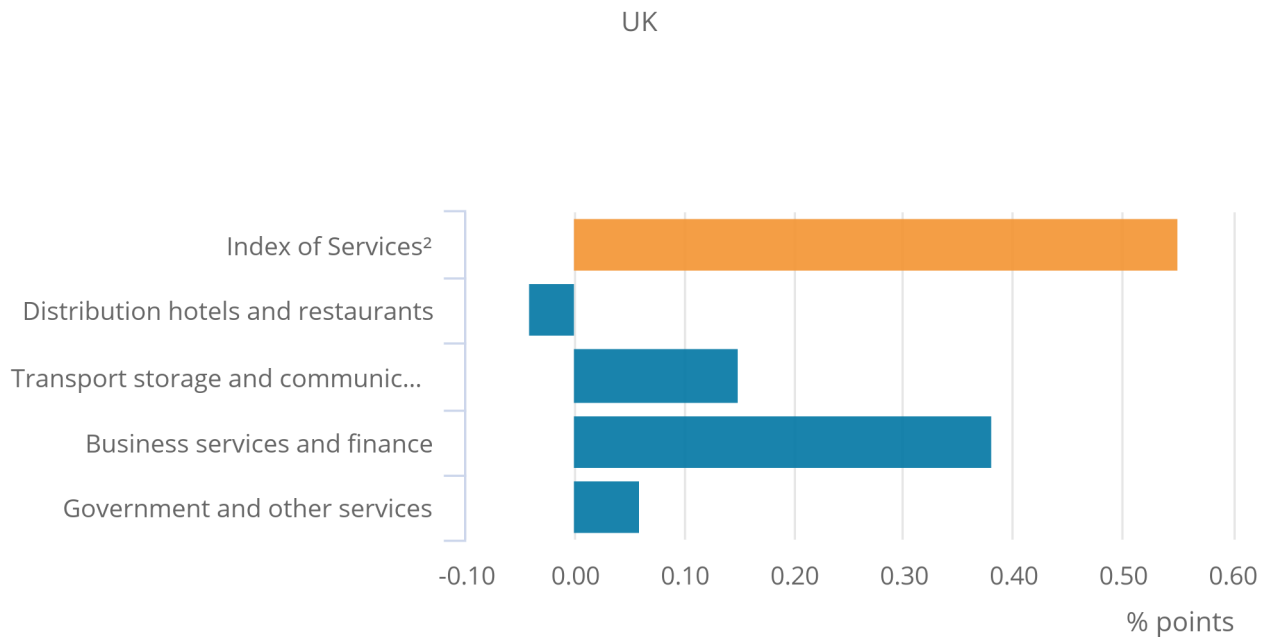
Source: Office for National Statistics

Notes:

1. Individual contributions may not sum to the total due to rounding.

2. Percentage change.

Business services and finance was the largest contributor to the quarterly IoS growth following Quarter 3 2017 where it also made the largest contribution of the four main components. In Quarter 4 2017 it increased 0.9%, contributing 0.38 percentage points. There was widespread growth across the sector with 12 out of its 21 industries making positive contributions, while only one made a negative contribution on the quarter. The industry with the largest contribution to growth was activities of head offices and management consultancy agencies which increased by 3.6%, contributing 0.07 percentage points. Employment activities also increased by 3.6% within this sector and contributed 0.05 percentage points.

Two of the other three main IoS sectors also increased in the most recent quarter. In order of their contribution to growth:

- transport, storage and communication increased by 1.1%, contributing 0.15 percentage points

- government and other services increased by 0.2%, contributing 0.06 percentage points

- distribution, hotels and restaurants decreased by 0.2%, contributing negative 0.04 percentage points

The industries with the largest contributions to growth across these sectors were:

- warehousing and support activities, which increased 4.1%, contributing 0.05 percentage points

- postal and courier activities, which increased 4.9%, contributing 0.04 percentage points

- human health activities, which increased 0.6%, contributing 0.04 percentage points

- motion pictures, which increased 3.9%, contributing 0.04 percentage points

This growth was partially offset by motor trade which decreased by 1.8% and contributed negative 0.05 percentage points. This industry was the main driver behind the quarterly decrease in the distribution, hotels and restaurants sector.

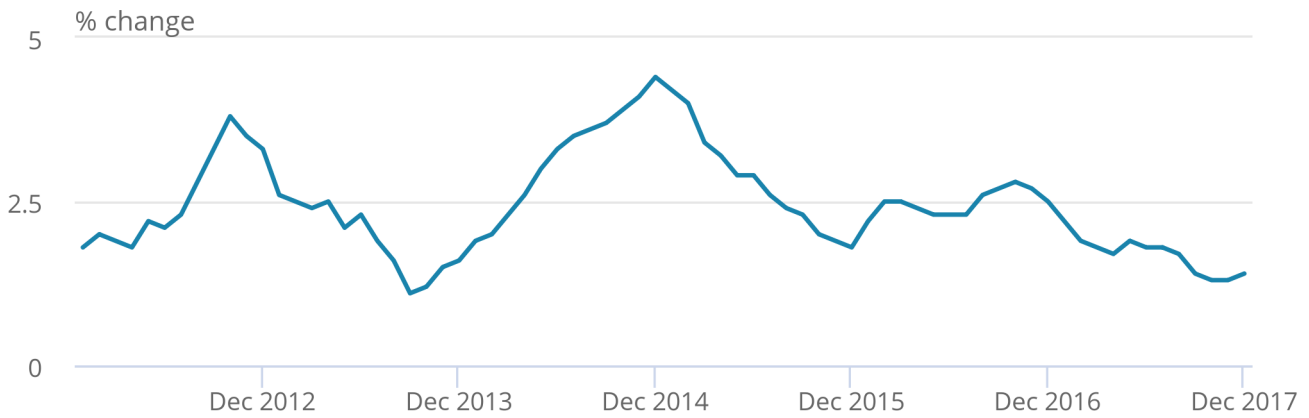# 5 . Three-month services growth on a year ago

Figure 2 shows the three-month on a year ago Index of Services (IoS) growth rates since January 2012 and Figure 3 shows the three-month on a year ago growth rates for each of the main IoS components.

Figure 2: Three-month on a year ago Index of Services growth between January 2012 and December 2017

UK

Figure 2: Three-month on a year ago Index of Services growth between January 2012 and December 2017

UK

Source: Office for National Statistics

In the three months to December 2017, services output increased by 1.4% compared with the three months ending December 2016. This growth has seen little change for the past four, three-month on a year ago growths. Figure 3 breaks this down further into the four main IoS components.

Figure 3: Three-month on a year ago growth for the main Index of Services components between January 2012 and December 2017

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Figure 3: Three-month on a year ago growth for the main Index of Services components between January 2012 and December 2017

UK
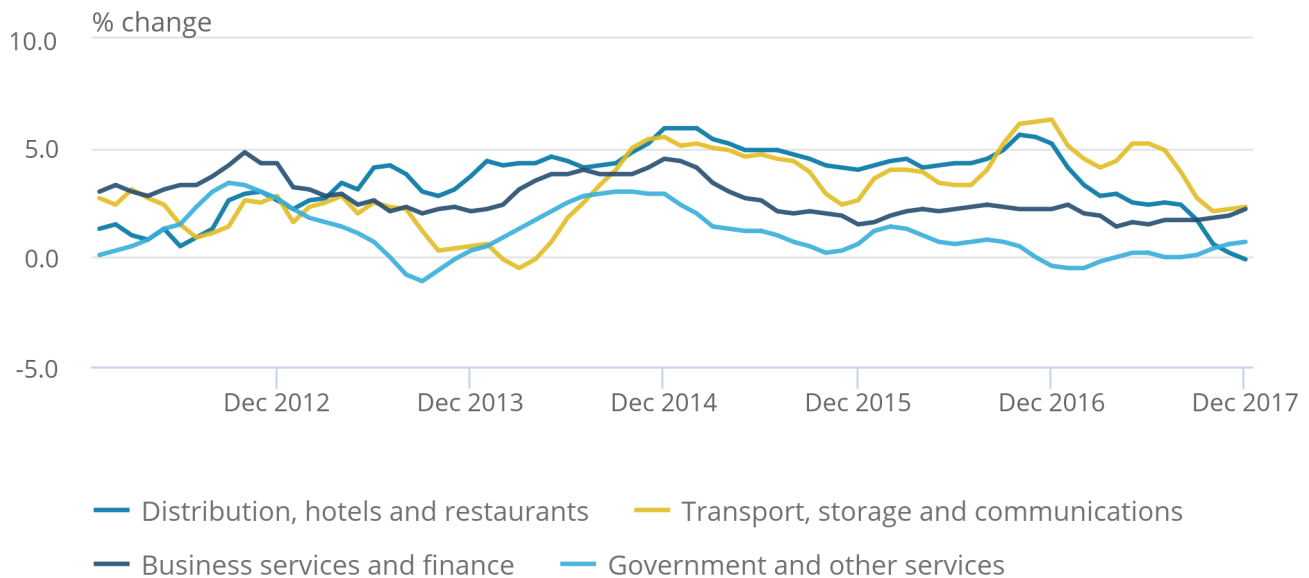
Source: Office for National Statistics

Notes:

1. Rolling 3 Month (%).

The distribution, hotels and restaurants and, transport, storage and communication sectors three month on a year ago growths have weakened since the start of 2017. These sectors are behind the slowdown in the three-month on a year ago IoS growth. In contrast, the business services and finance sector has seen more stable growths over the last two years. The movements of the main IoS components indicate that the industries dominated by domestic consumption are falling whereas industries with larger export components display more stable growths.

In the three months to December 2017, distribution, hotels and restaurants decreased by 0.1% compared with the three months ending December 2016. This is the lowest growth in this component since the three months to November 2009. In contrast, in the three months to December 2017 business services and finance increased by 2.2%, which is the highest growth since the three months to January 2017.

6 . Index of Services 2017 lowest annual growth since 2011
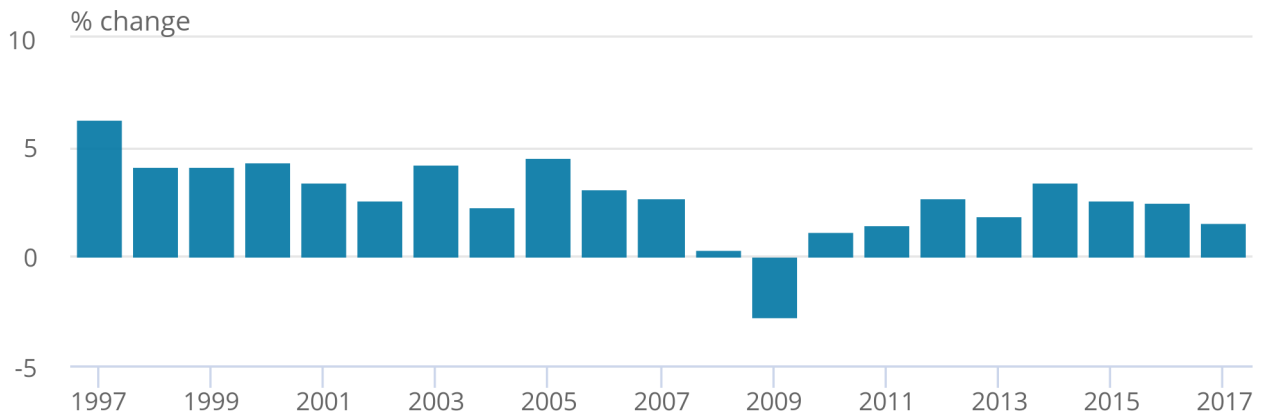
Figure 4 shows the Index of Services (IoS) year-on-year growth rates since 1997 and Figure 5 shows the year-on-year contributions of each of the main IoS components for 2017.

Figure 4: Index of Services year-on-year growth rates from 1997 to 2017

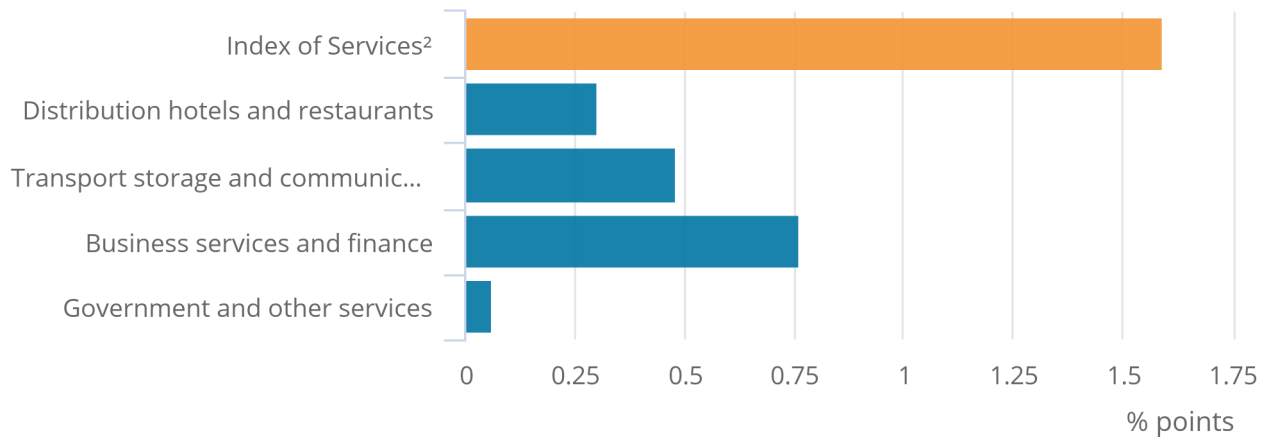Figure 4: Index of Services year-on-year growth rates from 1997 to 2017

UK

Source: Office for National Statistics

Figure 5: Contributions[1] to growth in services between 2016 and 2017

UK

Source: Office for National Statistics

Notes:

1. Individual contributions may not sum to the total due to rounding.

2. Percentage change.

IoS increased by 1.6% in 2017 compared with 2016. This is weaker than the 2.5% increase in 2016 and is the lowest year-on-year growth since 2011.

All four of the main components of the services industries increased during 2017 but they were all weaker than 2016. In order of their contribution to growth in 2017:

- business services and finance increased by 1.8%, contributing 0.76 percentage points; the lowest since 2010

- transport, storage and communications increased by 3.6%, contributing 0.48 percentage points; the lowest since 2014

- distribution, hotels and restaurants increased by 1.7%, contributing 0.30 percentage points; the lowest since 2012

- government and other services increased by 0.2%, contributing 0.06 percentage points; the lowest since 2007 with the other services side of the component contributing to the slowdown this year

7 . Month-on-month services growth flat in December 2017

Services output was flat in December 2017 following a rise of 0.4% in November 2017.

Figure 6 shows the Index of Services (IoS) month-on-month growth rates since January 2015 and Figure 7 shows the month-on-month contributions of each of the main IoS components for December 2017.

Figure 6: Index of Services headline growth rates from January 2015 to December 2017

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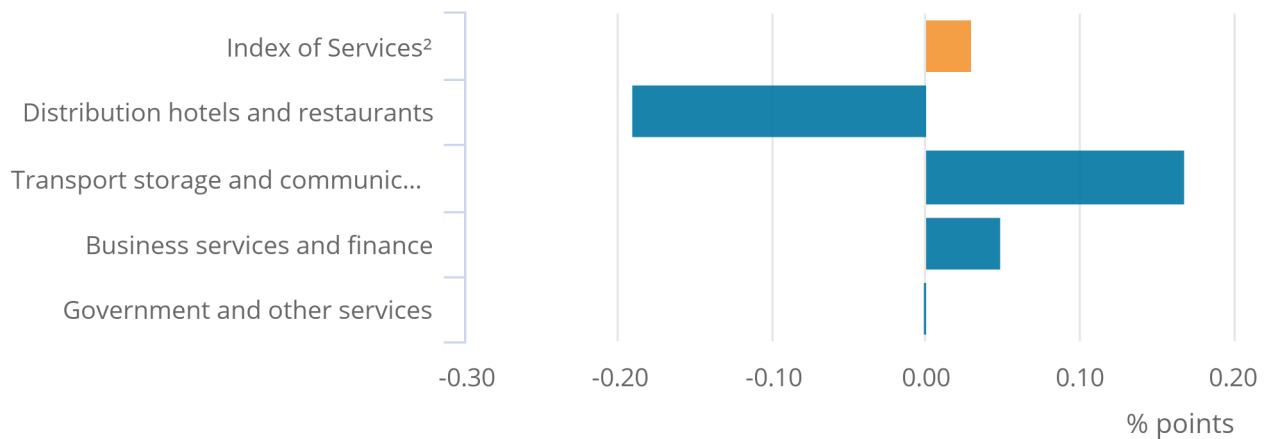Figure 6: Index of Services headline growth rates from January 2015 to December 2017

UK
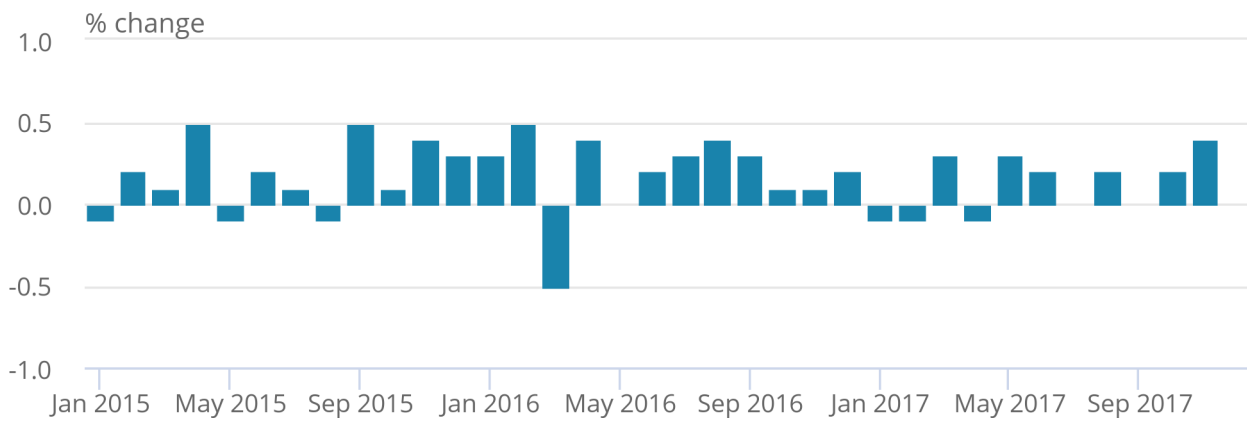
Source: Office for National Statistics

Figure 7: Contributions[1] to growth in services between November 2017 and December 2017

UK

Figure 7: Contributions^1^ to growth in services between November 2017 and December 2017

UK

Source: Office for National Statistics

Notes:

1. Individual contributions may not sum to the total due to rounding.

2. Percentage change.

In December 2017 the transport, storage and communication sector increased by 1.2% and contributed 0.17 percentage points to the services output. The industry largely responsible for this growth was motion pictures which grew by 7.8%, contributing 0.08 percentage points. Within this industry motion picture distribution was the main driver of the monthly growth, however, there were also increases in television production and motion picture production.

Completely offsetting this growth was distribution, hotels and restaurants which decreased by 1.1%, contributing negative 0.19 percentage points. Similarly there was one industry in this sector which was responsible for the majority of the monthly movement. Retail trade decreased by 1.5% and contributed negative 0.10 percentage points. Please see the Retail sales, Great Britain: December 2017 release for more information.

Elsewhere, business services and finance increased by 0.1%, contributing 0.05 percentage points while government and other services was flat, contributing nothing to services output.

8 . Links to related statistics

The response rates and revisions tables can be found in the main datasets.

Monthly economic commentary was published alongside this release, presenting new analysis on the latest economic data.

Methods and sources

The gross domestic product output approach (GDP(O)) methods and sources pages provide more information on the data that underpin these statistics; of particular note is the GDP(O) source catalogue.

International comparisons

International comparison with the Index of Services (IoS) is difficult, as most comparable economies don't produce equivalent estimates. Eurostat turnover in services estimates are not comparable with the IoS, as they exclude the wholesale and retail trade; furthermore, most of the estimates are only available quarterly. The US Bureau of Economic Analysis also produces services output estimates, but only on a quarterly basis, with a four-month lag time. Japan has a direct equivalent of the IoS, but the estimates are not seasonally adjusted. The closest equivalent estimates are from Canada, which produces a monthly output estimate of GDP with a breakdown by industry (including an aggregate for services). There are also comparable quarterly estimates from Sweden and Ireland.

9 . Feedback on this bulletin

We welcome your feedback on this bulletin via our short survey.

10 . Quality and methodology

The monthly Index of Services (IoS) was developed to provide a timely indicator of growth in the output of services industries, at constant prices for the UK. The IoS is an important component of monthly output (gross domestic product output approach (GDP(O)), representing about 79.3% of UK gross domestic product (GDP) as of 2015. The IoS shares the exact same industry coverage as the corresponding quarterly series within GDP(O).

The Index of Services datasets contain additional material, including:

- Monthly Business Survey (MBS) response rates (current and historic)

- IoS and main component indices to four decimal places

- publication tables

- revisions triangles

- lower-level time series data

- Monthly Business Survey (MBS) turnover of services industries

The Index of Services Quality and Methodology Information report contains important information on:

- the strengths and limitations of the data and how it compares with related data

- uses and users of the data

- how the output was created

- the quality of the output including the accuracy of the data

IOS1

IOS: Index of Services [1]
Chained volume indices of gross value added [2,3,4]

seasonally adjusted 2015 = 100

	Total service industries	Distribution hotels and restaurants	Transport, storage and communication	Business services and finance	Govern-ment and other services
			Industry sections (SIC2007)		
Section	G-T	G and I	H and J	K-N	O-T
2015 weights	**1000**	**173**	**132**	**415**	**281**
	S2KU	S2MV	KI7B	KI7L	KI7T
2013	94.3	91.2	93.6	94.1	96.7
2014	97.5	95.5	96.2	97.7	99.1
2015	100.0	100.0	100.0	100.0	100.0
2016	102.5	104.7	104.7	102.2	100.6
2017	104.1	106.5	108.5	104.1	100.8
2015 Dec	101.2	102.2	101.4	100.9	101.1
2016 Jan	101.5	102.9	102.9	101.0	100.8
Feb	102.0	103.1	103.1	101.9	101.1
Mar	101.6	103.2	101.8	101.4	100.6
Apr	102.0	103.4	103.2	102.1	100.5
May	102.0	104.2	102.5	101.7	100.6
Jun	102.2	104.1	103.3	102.1	100.6
Jul	102.5	104.0	104.8	102.3	100.8
Aug	102.9	105.3	106.0	102.5	100.5
Sep	103.2	106.2	106.7	102.8	100.3
Oct	103.3	106.8	107.4	102.7	100.2
Nov	103.4	106.9	106.6	103.1	100.2
Dec	103.6	106.6	108.2	103.0	100.3
2017 Jan	103.5	105.3	106.6	103.6	100.7
Feb	103.4	106.3	106.3	103.1	100.6
Mar	103.7	106.1	107.5	103.4	100.8
Apr	103.6	106.1	107.7	103.1	100.9
May	103.9	106.2	108.3	103.6	100.8
Jun	104.1	106.8	109.1	103.8	100.7
Jul	104.1	107.2	108.4	103.9	100.6
Aug	104.4	107.0	108.8	104.3	100.8
Sep	104.4	106.5	109.0	104.5	100.7
Oct	104.6	106.7	109.1	104.7	100.9
Nov	105.0	107.3	109.6	105.4	100.9
Dec	105.0	106.1	111.0	105.5	100.9

Percentage change, latest year on previous year

	S222	S243	KI77	KI7G	KI7O
2013	1.9	3.4	1.7	2.4	0.4
2014	3.4	4.7	2.7	3.8	2.4
2015	2.6	4.7	4.0	2.4	0.9
2016	2.5	4.7	4.7	2.2	0.6
2017	1.6	1.7	3.6	1.8	0.2

Percentage change, latest month on same month a year ago

	S26Q	S28R	KI7A	KI7I	KI7Q
2015 Dec	2.2	4.0	3.4	1.5	1.4
2016 Jan	2.5	4.9	4.5	1.6	1.5
Feb	2.8	4.4	4.1	2.6	1.4
Mar	2.3	4.0	3.4	2.0	1.0
Apr	2.2	3.8	4.1	2.2	0.5
May	2.3	4.9	2.8	2.1	0.6
Jun	2.3	4.2	3.0	2.4	0.7
Jul	2.5	3.7	4.2	2.4	0.9
Aug	2.9	5.7	4.9	2.5	0.9
Sep	2.8	5.3	6.6	2.1	0.3
Oct	2.8	5.8	6.9	2.1	0.2
Nov	2.5	5.4	5.1	2.4	-0.5
Dec	2.3	4.4	6.7	2.2	-0.8
2017 Jan	1.9	2.4	3.6	2.6	-0.2
Feb	1.3	3.1	3.1	1.2	-0.5
Mar	2.1	2.8	5.7	2.0	0.2
Apr	1.6	2.6	4.4	1.0	0.4
May	1.9	1.9	5.7	1.9	0.1
Jun	1.9	2.5	5.6	1.7	0.1
Jul	1.6	3.1	3.4	1.6	-0.2
Aug	1.5	1.7	2.7	1.8	0.2
Sep	1.1	0.4	2.1	1.7	0.4
Oct	1.2	-0.1	1.7	1.9	0.7
Nov	1.6	0.3	2.9	2.2	0.8
Dec	1.4	-0.5	2.5	2.4	0.6

1 The IOS output is designated as a National Statistic.
2 Indices reflect values measured at basic prices, which exclude "taxes less subsidies on products".
3 Estimates cannot be regarded as accurate to the last digit shown.
4 Any apparent inconsistencies between the index numbers and the percentage changes shown in these tables are due to rounding.
5 A complete run of data is available on the ONS website as a
Time series dataset

Sources: For further information on these data please telephone
01633 456387; fax 01633 455300 or e-mail ios.enquiries@ons.gov.uk