Legal, software, data hosting & scientific services, a good earnings time for some IT seems

There is a great deal of attention being consumed in searching for which parts of the UK have already descended into a UK economic recession, one we are told many others will tumble into.

With such cautionary tales in mind, I thought I'd use the extremely detailed and timely data from the ONS covering business service sectors, to do some detective work.

My aim is simple enough, to identify areas of the UK economy which have not only held up well, but in fact ended 2024 impressively, doing so despite the years political upheavals, here, there and seemingly everywhere.

In this piece I will dig down into a handful of professional sectors where the service provided can be both B2B and B2C. To repeat, the intention is to set the backdrop for 2025 by examining how last year ended given the generally downbeat sentiment that the wheels were "coming off the UK economy".

To be clear, the piece is not in any way intended to claim the end of last year for a particular named sector, can be extrapolated into how it fares through 2025. It is merely an attempt to give some reliable quantitative colour to the generally grey picture being so commonly painted for the UK.

For the purposes of this piece the sectors examined with be confined to **Legal Services (69.1), Telecoms Services (61), Software developers (62), Providers of data processing & hosting services (63)** and **Scientific R&D (72)**.

Now whilst it is true these are five *niche* sectors, their performances on being charted illustration - quite literally - how at any moment in time there will be very varied exceptions within a broad economy in fortunes. Remember too these sectors feed others that are secondary and tertiary, and so fare in their fortunes.

There is of course the argument that legal services "do well" in downturns, litigation literally rising as the economy falters. Whilst that may well be the case, the point remains that at any moment there will be pockets of strength within the UK, just as during the economically "good times", there will be those sectors that are suffering.

Turning to the **UK's providers of telecoms services (61)**, we notice a considerable change in fortunes over recent years. Though for many years volume growth was close to spectacular, this came with acute deflation in unit pricing (a hedonic decline one should expect from rapidly advancing tech). This said, the jolt-downwards to a "ex growth" in volumes, has come with pricing stability (see the respective chart 3).

On considering the twin sectors of **Software (62)** and **Data processing/hosting (63),** here we notice an end to 2024 that was robust in revenue and margins, with pricing since 2010 pushing ever higher (see the respective charts 1, 2 and 3).

Let me turn to a further comparative point of distinction. Whilst those providing Legal services (69.1) within the UK ended 2024 enjoying strong pricing power and activity (see the relevant chart 3), their average performance since 2010, was just that, average. What I mean by this is that compared with UK business service sectors collectively, top line and margin performances of 5.3% and 2 percent points, were broadly inline (see the relevant charts 1 and 2).

For its part the UK's **Scientific R&D Sector (72)** not only ended 2024 extremely well but has out-performed very positively indeed since 2010. It can be seen after all to have enjoyed double digit top line growth (c10%, see the respective chart 1), with operating margins posting over three times the growth of UK service sectors combined (see the respective chart 2).

To close then, whilst this short piece has considered the fortunes of what are admittedly five niche UK sectors, they have considerable relevance to those involved and invested within them. So to repeat again, there is never such a thing as "A UK macro-economy", it being an agglomeration of many hundreds of sectors all each performing in their very unique way.

UK Telecoms services (61)

Sector turnover of £65.6bn (2.3% of all Non-Financial Services) - in the calendar year Nov2023 to Oct2024

Chart 1. Operating Sales, £

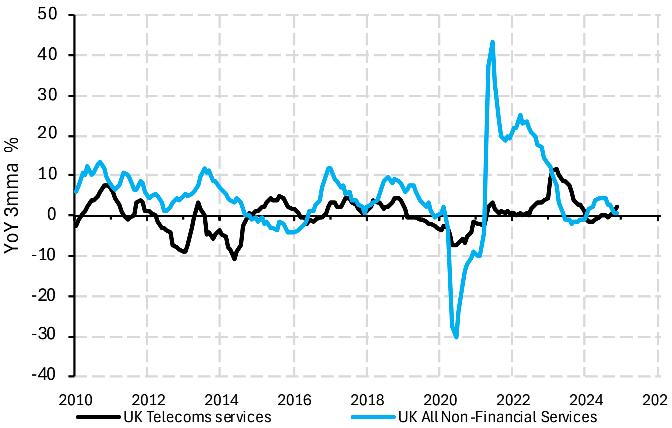
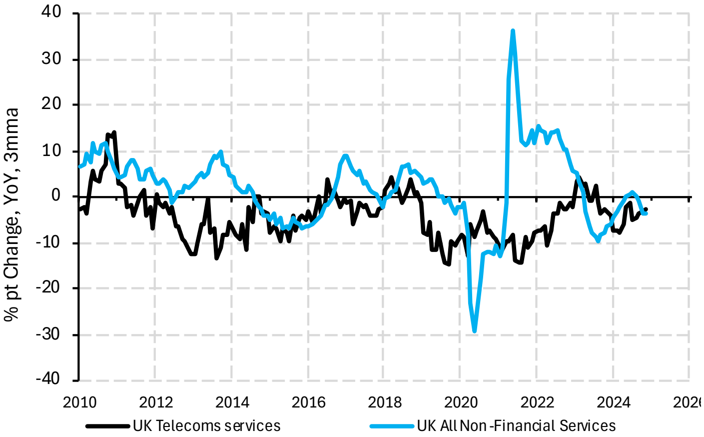


Chart 2. Operating Margin



Annual Growth Averages (%) and Inverse Coefficient of variance* in brackets

UK Telecoms services 0.4 (0.1)
UK All Non-Financial Services 5.2 (0.5)

UK Telecoms services -4.1 (-0.8)
UK All Non-Financial Services 1.9 (0.2)

Chart 3. Price, Cost & Volume

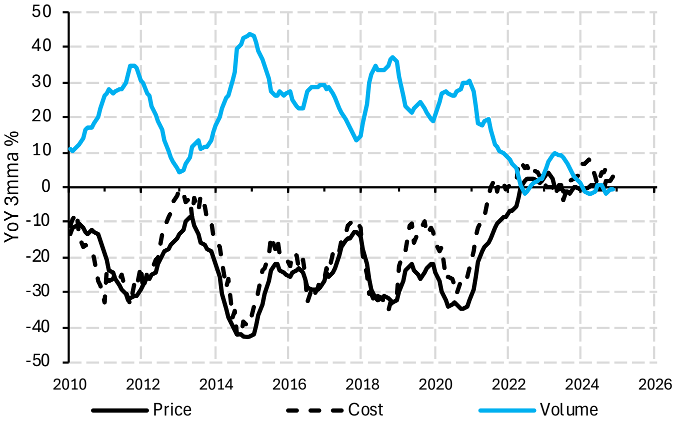
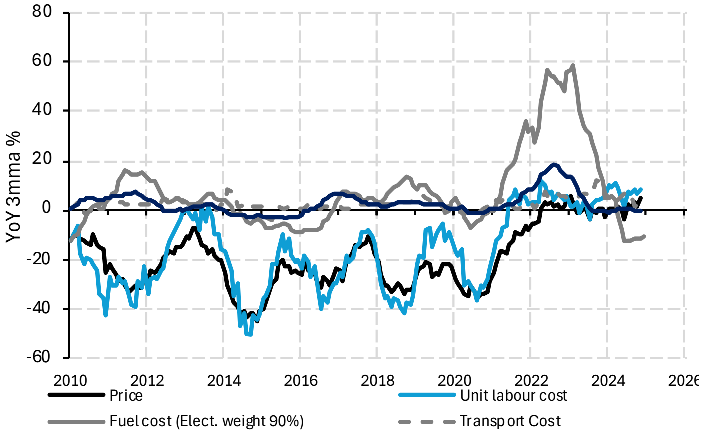


Chart 4. Detailed price & cost dynamics



Price -19.2 (-1.6)
Cost -15.1 (-1.2)
Volume 19.6 (1.7)

Chart 5. Labour Productivity vs Wages

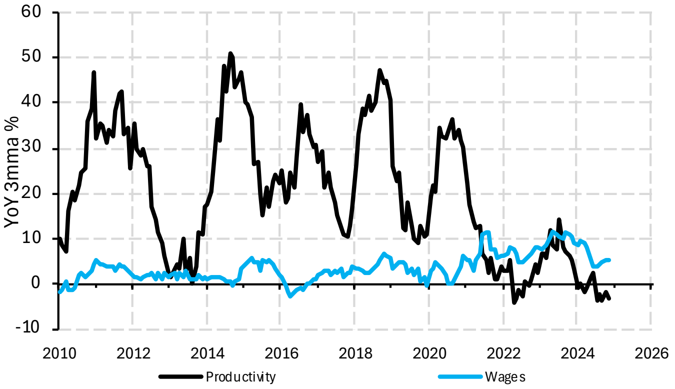
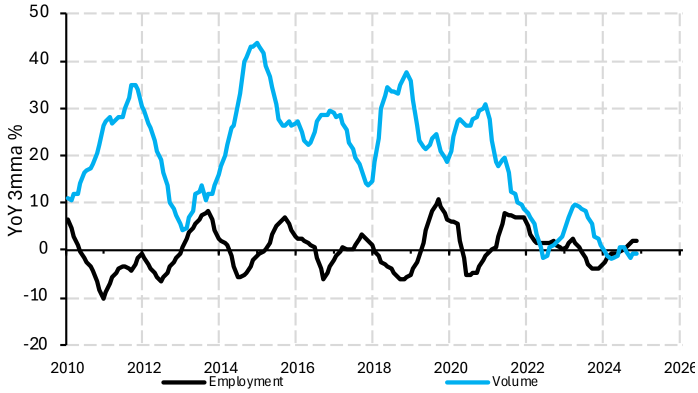


Chart 6. Employment vs Volume



Productivity 19.8 (1.4)
Wages 3.8 (1.2)

Employment 0.1 (0.0)
Volume 19.6 (1.7)

** Inverse Coeffiecient of Variance = Mean / Standard Deviation*

UK Software developers (62)

Sector turnover of £181.6bn (6.4% of all Non-Financial Services) - in the calendar year Nov2023 to Oct2024

Chart 1. Operating Sales, £

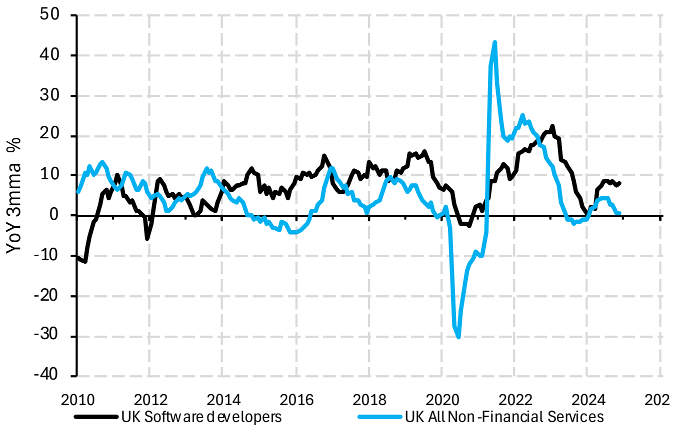
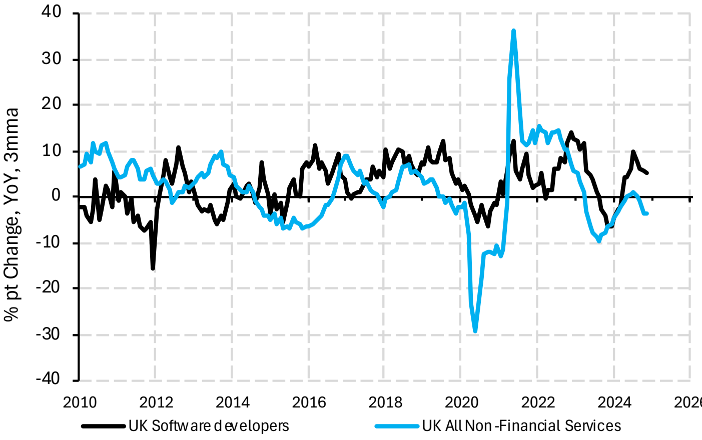


Chart 2. Operating Margin



Annual Growth Averages (%) and Inverse Coefficient of variance* in brackets

UK Software developers	7.5	(1.3)
UK All Non-Financial Services	5.2	(0.5)

UK Software developers	2.6	(0.5)
UK All Non-Financial Services	1.9	(0.2)

Chart 3. Price, Cost & Volume

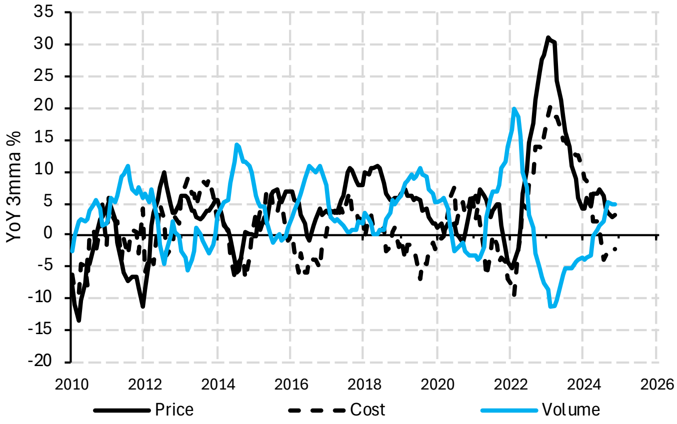
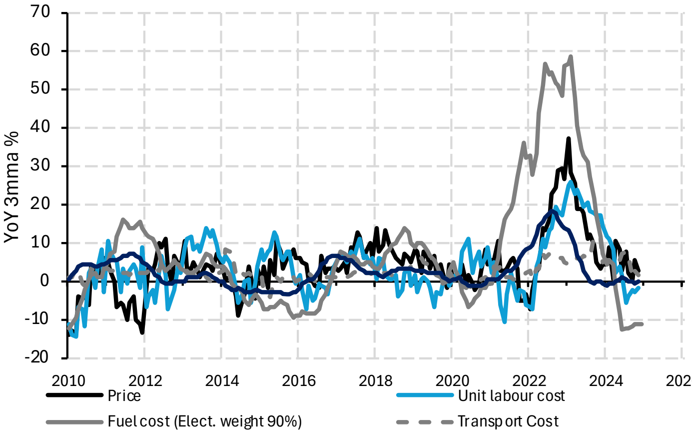


Chart 4. Detailed price & cost dynamics



Price	4.4	(0.6)
Cost	1.8	(0.3)
Volume	3.1	(0.5)

Chart 5. Labour Productivity vs Wages

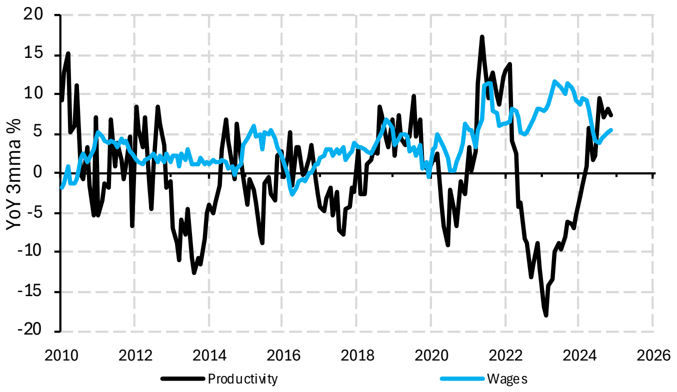
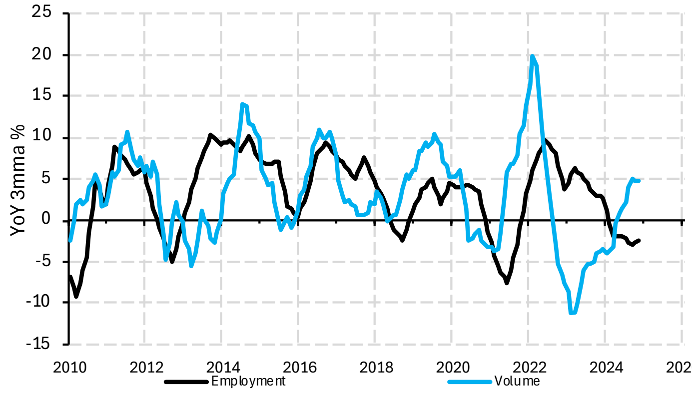


Chart 6. Employment vs Volume



Productivity	-0.1	(0.0)
Wages	3.8	(1.2)

Employment	3.3	(0.7)
Volume	3.1	(0.5)

** Inverse Coeffiecient of Variance = Mean / Standard Deviation*

UK Providers of data processing & hosting services (63)

Sector turnover of £26.7bn (0.9% of all Non-Financial Services) - in the calendar year Nov2023 to Oct2024

Chart 1. Operating Sales, £

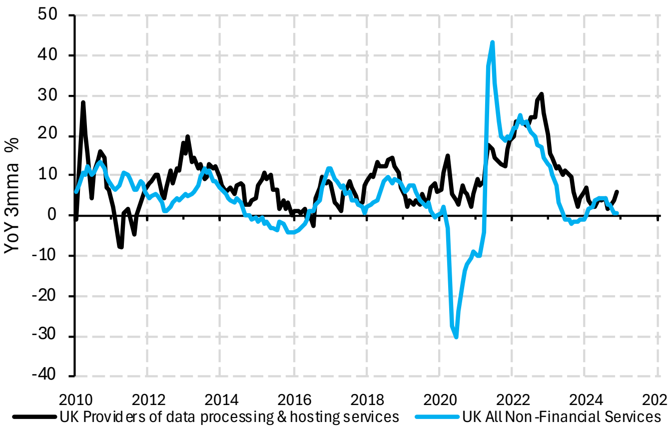
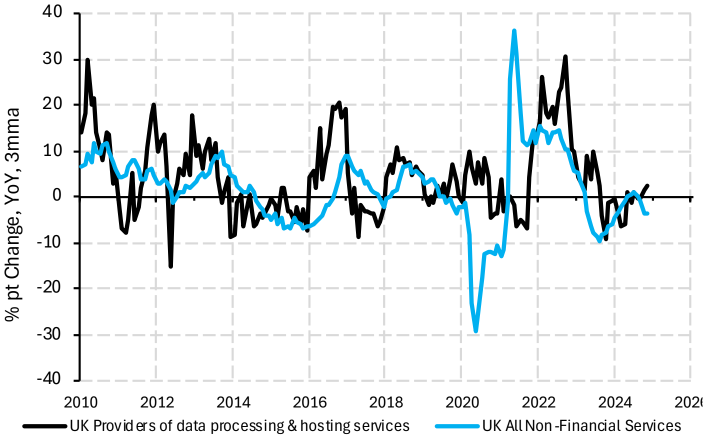


Chart 2. Operating Margin



Annual Growth Averages (%) and Inverse Coefficient of variance* in brackets

UK Providers of data processing & hosting services 8.6 (1.3)
UK All Non-Financial Services 5.2 (0.5)

UK Providers of data processing & hosting services 4.3 (0.5)
UK All Non-Financial Services 1.9 (0.2)

Chart 3. Price, Cost & Volume

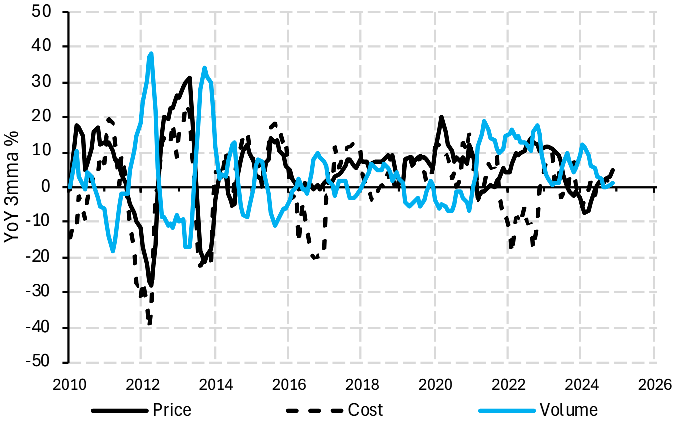
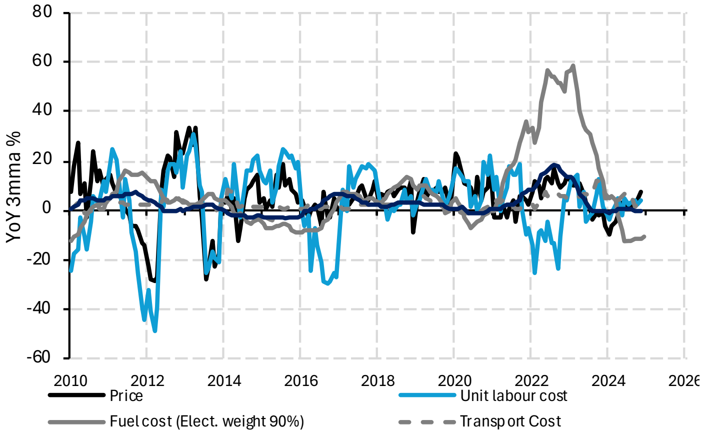


Chart 4. Detailed price & cost dynamics



Price 5.1 (0.5)
Cost 0.8 (0.1)
Volume 3.4 (0.3)

Chart 5. Labour Productivity vs Wages

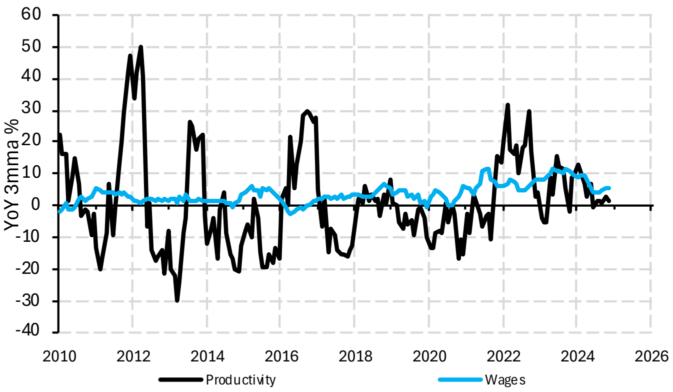
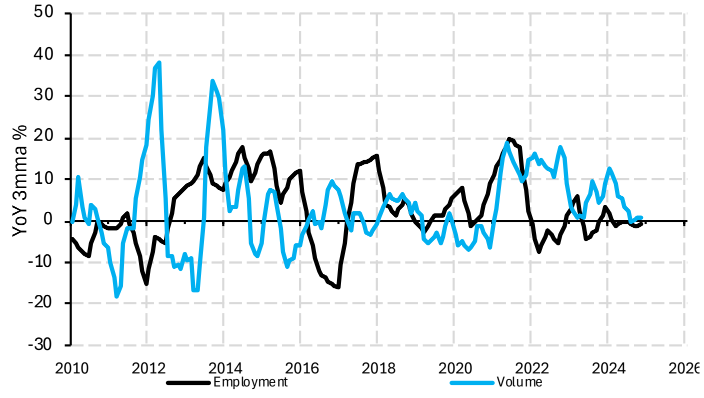


Chart 6. Employment vs Volume



Productivity 1.3 (0.1)
Wages 3.8 (1.2)

Employment 3.0 (0.4)
Volume 3.4 (0.3)

** Inverse Coeffiecient of Variance = Mean / Standard Deviation*

UK Legal services (69.1)

Sector turnover of £51.2bn (1.8% of all Non-Financial Services) - in the calendar year Nov2023 to Oct2024

Chart 1. Operating Sales, £

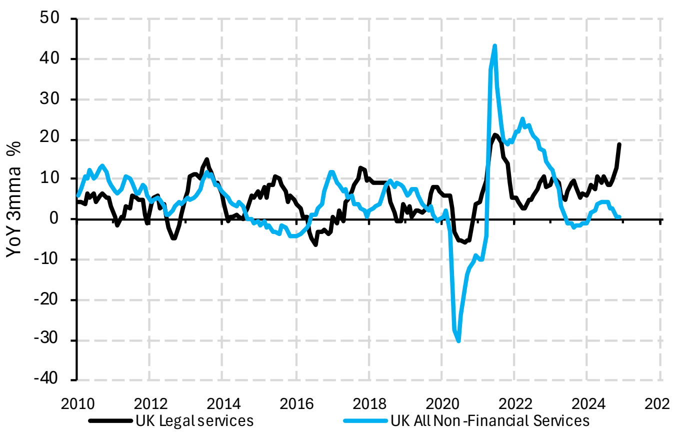
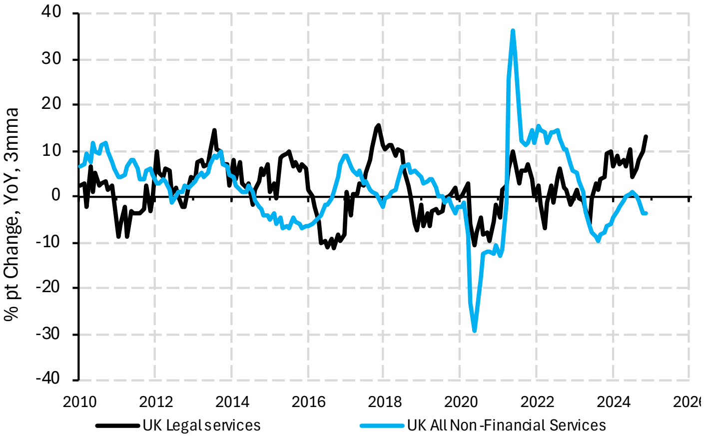


Chart 2. Operating Margin



Annual Growth Averages (%) and Inverse Coefficient of variance* in brackets

UK Legal services	5.3	(1.0)
UK All Non-Financial Services	5.2	(0.5)

UK Legal services	2.0	(0.3)
UK All Non-Financial Services	1.9	(0.2)

Chart 3. Price, Cost & Volume

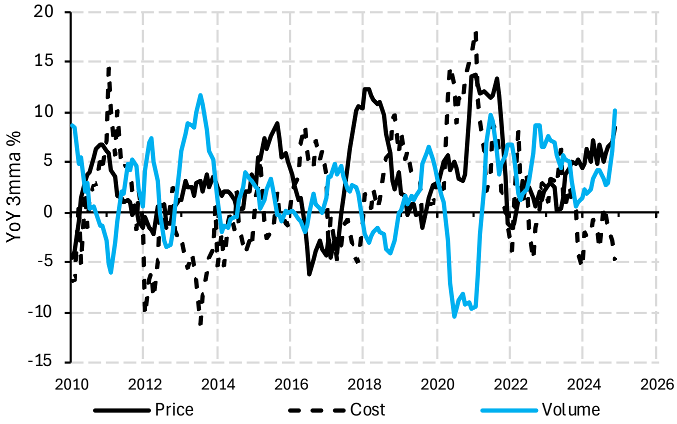
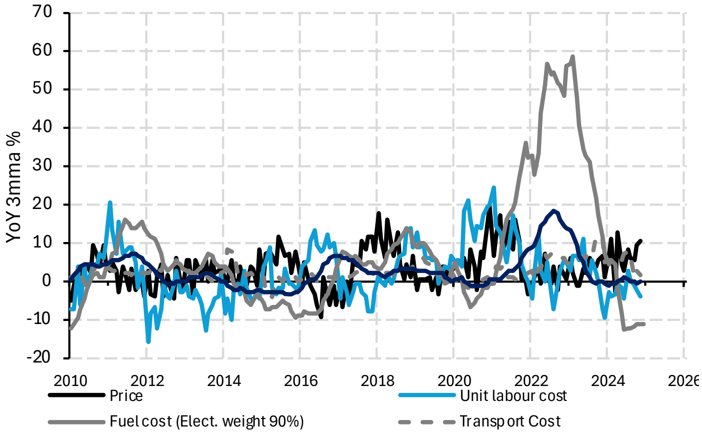


Chart 4. Detailed price & cost dynamics



Price	3.4	(0.8)
Cost	1.4	(0.3)
Volume	1.9	(0.4)

Chart 5. Labour Productivity vs Wages

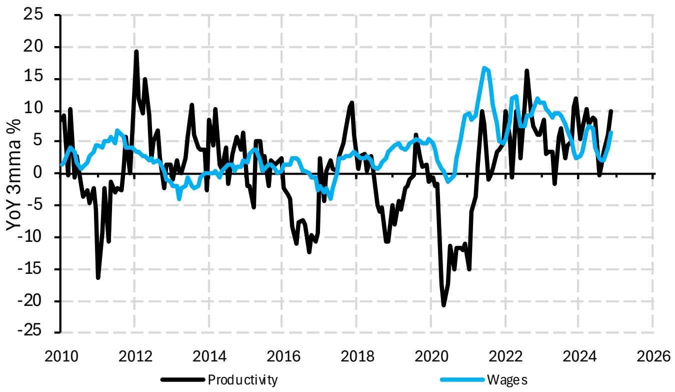
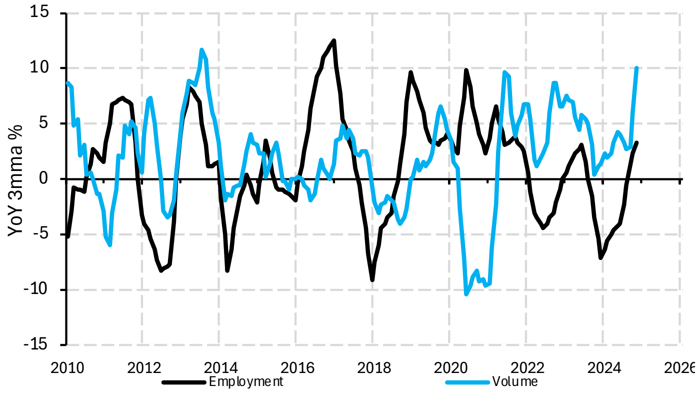


Chart 6. Employment vs Volume



Productivity	0.9	(0.1)
Wages	3.6	(0.9)

Employment	1.2	(0.3)
Volume	1.9	(0.4)

** Inverse Coeffiecient of Variance = Mean / Standard Deviation*

UK Scientific R&D (72)

Sector turnover of £55.1bn (2.0% of all Non-Financial Services) - in the calendar year Nov2023 to Oct2024

Chart 1. Operating Sales, £

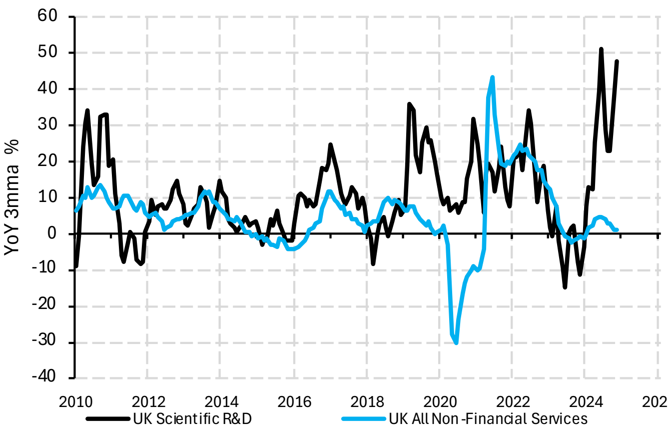
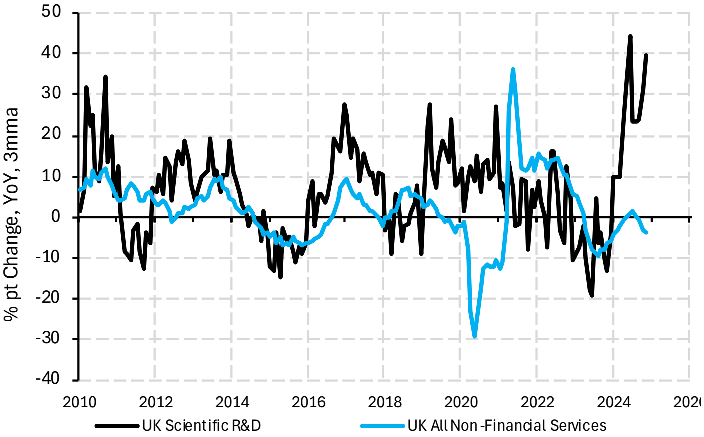


Chart 2. Operating Margin



Annual Growth Averages (%) and Inverse Coefficient of variance* in brackets

UK Scientific R&D	10.7	(0.9)
UK All Non-Financial Services	5.2	(0.5)

UK Scientific R&D	6.7	(0.6)
UK All Non-Financial Services	1.9	(0.2)

Chart 3. Price, Cost & Volume

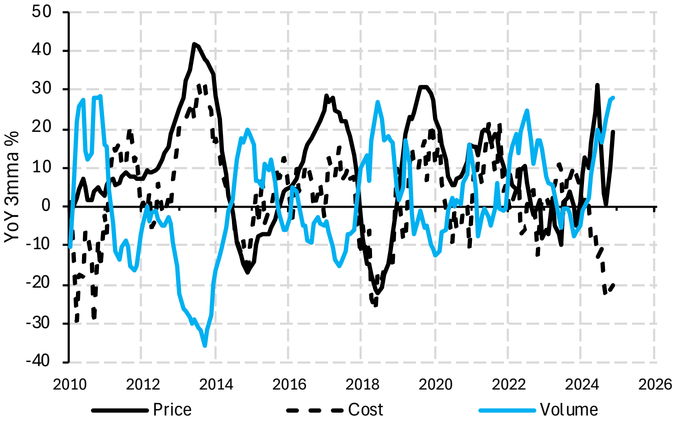
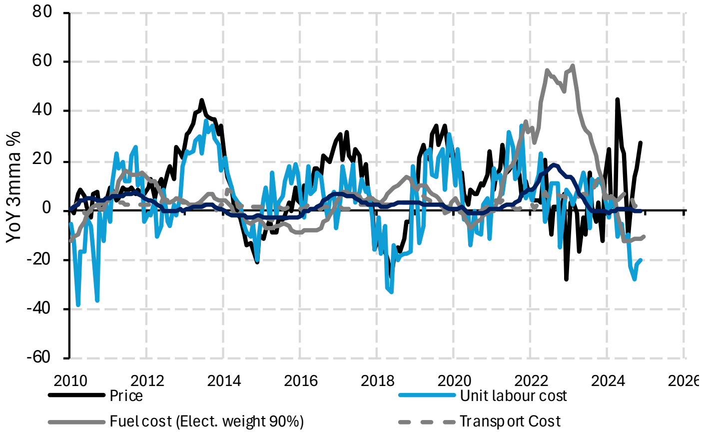


Chart 4. Detailed price & cost dynamics



Price	9.4	(0.7)
Cost	2.7	(0.2)
Volume	1.4	(0.1)

Chart 5. Labour Productivity vs Wages

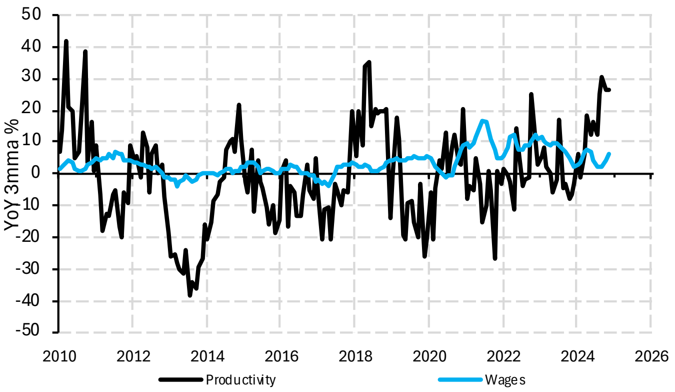
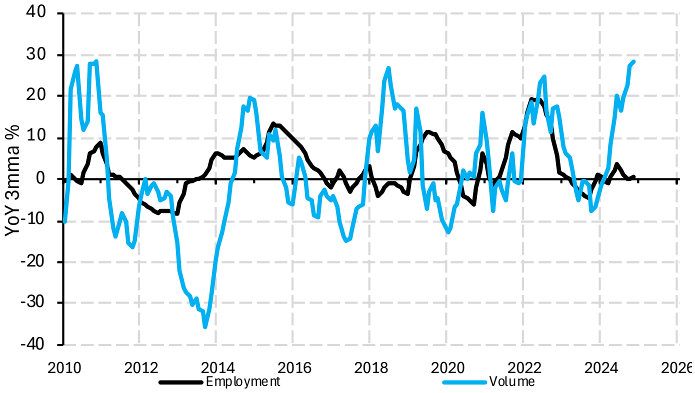


Chart 6. Employment vs Volume



Productivity	-0.9	(-0.1)
Wages	3.6	(0.9)

Employment	2.7	(0.4)
Volume	1.4	(0.1)

** Inverse Coeffiecient of Variance = Mean / Standard Deviation*

UK All Non-Financial Services (45-96)

Sector turnover of £2820.8bn - in the calendar year Nov2023 to Oct2024

Chart 1. Operating Sales, £

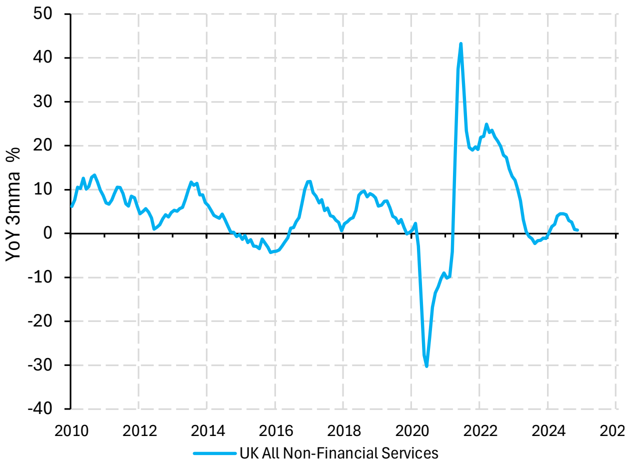
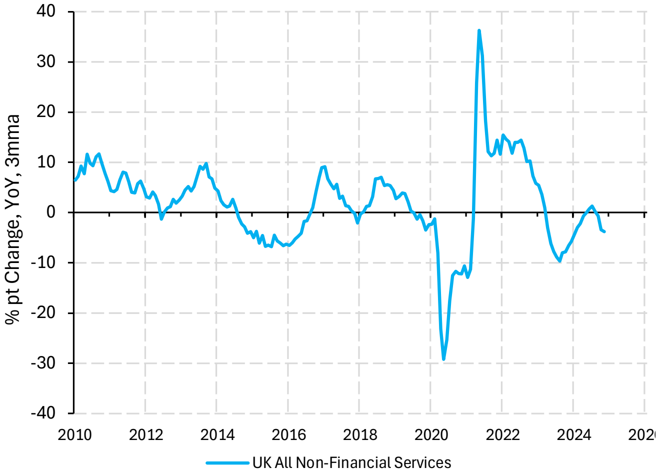


Chart 2. Operating Margin



Annual Growth Averages (%) and Inverse Coefficient of variance* in brackets

UK All Non-Financial Services 5.2 (0.5)

UK All Non-Financial Services 1.9 (0.2)

Chart 3. Price, Cost & Volume

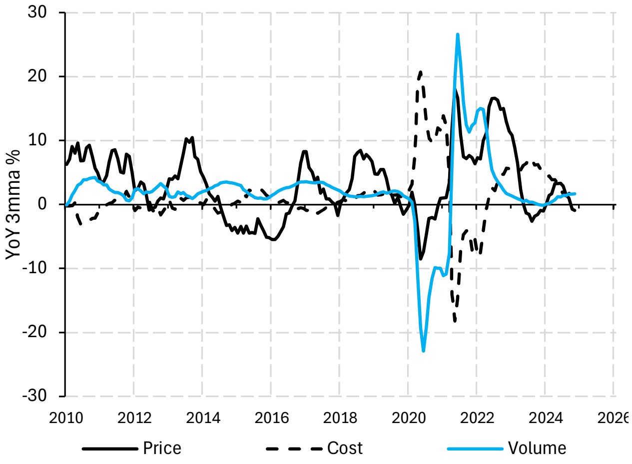
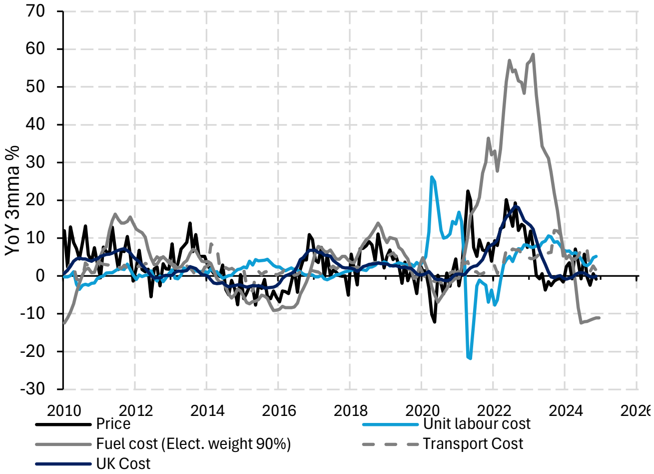


Chart 4. Detailed price & cost dynamics



Price 3.2 (0.6)
Cost 1.3 (0.3)
Volume 1.9 (0.3)

Chart 5. Labour Productivity vs Wages

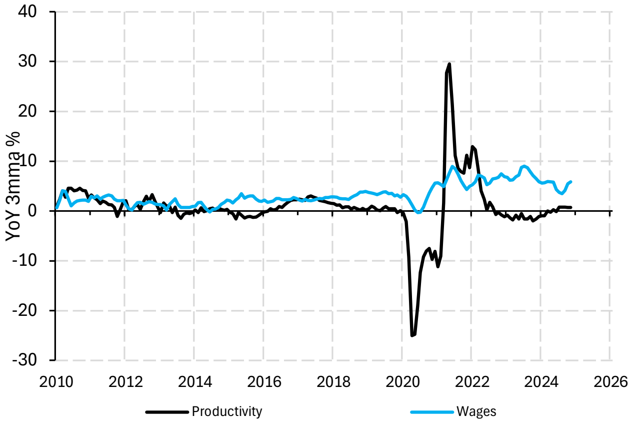
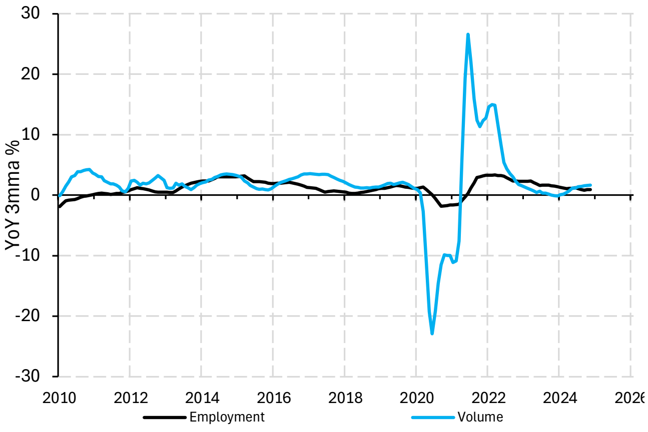


Chart 6. Employment vs Volume



Productivity 0.7 (0.1)
Wages 3.3 (1.5)

Employment 1.2 (1.0)
Volume 1.9 (0.3)

** Inverse Coeffiecient of Variance = Mean / Standard Deviation*

List of UK Business Service sectors	SIC	Companies
UK Wholesale & retail trade & repair, all vehicles	45	Bunzl, Essentra, Ferguson Enterprises, Latham, Macfarlane, NWF, Roebuck Food
UK Wholesale trade services, except vehicles	46	Bunzl, Essentra, Ferguson Enterprises, Latham, Macfarlane, NWF, Roebuck Food
UK Land transport, trains & buses - people & freight	49.3-5	FirstGroup, Trainline
UK Warehousing & support services for transportation	52	Diploma, Restore
UK Postal & courier services	53	Smiths News
UK Hotels and other short-term accommodation services	55	Accor, IHT, Whitbread (Premier Inn)
UK Food & beverage serving sectors	56	Compass
UK Publishing services - newspapers, periodicals & computer games	58	De la Rue, DMGT, AutoTrader, Bloomsbury
UK TV, film & sound production & presentation	59	CineWorld, ITV, STV
UK Telecoms services	61	Maintel, TalkTalk
UK Software developers	62	CPP, ComputerCenter, PCI-Pal, Petards, RWS, Software Circle, Tribal
UK Providers of data processing & hosting services	63	1Spatial, Experian, Journeo , Vianet
UK Real estate activities on a fee or contract basis	68.3	International Workplace , LSL Property Services, Mitie Group, Savills, Foxtons, Rightmove, Winkworths, MAB
UK Legal services	69.1	Gately, Keystone Law, DWF, Knights Group, the Ince Group, Begbies Traynor
UK Accountants, auditors & tax consultants	69.2	Begbies Traynor
UK Architects & civil engineers	71	Diales, Hargreaves Services, Intertek, Kier Group , Mears Group, Northern Bear, Renew Holdings, Ricardo
UK Scientific R&D	72	Science Group
UK Advertising & market research services	73	YouGov, WPP, M&C Saachi
UK Real estate, graphic & fashion design & photography	74	Christie Group, Record, Powerhouse Energy, DCC
UK Veterinary activities	75	Pets At Home, CVS Group
UK Rental & leasing services, non real estate	77	Johnson Service, SZigup
UK Recruitment services	78	Norman Broadbent, Page Group, Robert Walters, RTC, Staffline Group, Sthree, Hays
UK Travel agents & tour operators	79	Hostel-World, OnTheBeach Group
UK Security & investigation services	80	Croma, Synetics, Westminster
UK Office admin & business support - including call centres	82	Capita, IWG
UK Human health services	86	Spire Healthcare
UK Creative arts & entertainment services - theatres etc	90	
UK Library, archive, museum & other cultural services	91	
UK Sporting, amusement & other recreation services	93	GYM Group, Hollywood Bowl
UK Repair services of computers, personal & household goods	95	

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