

New PM faces mounting recession risk after activity contracts in August – report

Britain's new prime minister is facing a "heightened risk of recession" following new figures signalling the private sector contracted in August after activity slumped in the services sector.

The widely-followed S&P Global/CIPS UK services [PMI](#) survey suggested the all-important services sector only just eked out growth last month, with a worse-than-expected reading of 50.9, down from 52.6 in July and the slowest pace of expansion for a year-and-a-half.

This left the composite reading for private sector activity – taking into account manufacturing and services survey data – at 49.6 in August, down from 52.1 in July and the first drop below the crucial 50 no-change mark in 18 months.

A reading below 50 shows contraction.

Experts warned that the latest figures deal the incoming leader of the [Conservative Party](#) an early blow, by showing a mounting threat of imminent recession, as defined by two quarters in a row of falling output, due to the cost-of-living crisis.

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due to economic squeeze'

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Demand for consumer-facing services such as restaurants, hotels, travel and other recreational activities is collapsing under the weight of the cost-of-living crisis

Chris Williamson, chief business economist at survey compiler S&P Global Market Intelligence, said the PMI data points to a "modest" contraction in the economy in the current third quarter of 0.1%.

But this comes after the economy contracted by 0.1% in the second quarter and therefore a fall in gross domestic product (GDP) in the three months to September would tip the UK into recession.

Mr Williamson said: "Demand for consumer-facing services such as restaurants, hotels, travel and other recreational activities is collapsing under the weight of the cost-of-living crisis, with demand for business services also coming under pressure amid concerns over rising costs and the darkening economic outlook."

He added: "Jobs growth is already starting to weaken and, with hiring tending to lag changes in order books, the recent slump in demand alongside surging energy prices points to a growing reticence to employ staff in coming months.

"Although the survey data are currently consistent with the economy contracting at a modest quarterly rate of 0.1%, deteriorating trends in order books suggest the incoming prime minister will be dealing with an economy that is facing a heightened risk of recession, a deteriorating labour market and persistent elevated price pressures linked to the soaring

cost of energy.”