Service sector breaks from 18 months of growth, survey suggests

The UK's service sector has interrupted 18 months of consecutive growth to stagnate for the first time since lockdowns as customers across the country tightened their belts.

Under-pressure household budgets could not stretch as far and as often to buying from the country's service companies.

The services PMI score – collated by S&P Global and CIPS – hit 50 in September, down from 50.9 in August.

The score is based on a survey of thousands of businesses across the UK. A figure above 50 means the sector is growing; below that number and it is shrinking.

The one silver lining in September was that the score was not as bad as expected. Analysts had forecast that it would hit around 49.2.

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“September data highlighted an absence of growth in the UK service sector for the first time in 19 months as the energy crisis continued to hit business and consumer spending,” said Tim Moore, economics director at S&P Global Market Intelligence.

There are also creeping concerns about jobs. While the cost of living has been soaring, unemployment has been at its lowest since the 1970s.

But in September the rate of job creation fell to its lowest since March 2021, and anecdotally some companies say that increased costs mean they are implementing hiring freezes.

“Employment trends remained positive in September, with staff numbers increasing at a strong pace as service providers adjusted to post-pandemic requirements,” Mr Moore said.

“However, the pace of job creation has now slowed for three months running amid greater caution about future growth and sporadic reports of hiring freezes.”

Dr John Glen, chief economist at the Chartered Institute of Procurement and Supply, said: “Domestic consumers had cost-of-living pressures and not hospitality uppermost in their minds.

“After enjoying rising levels of export orders for eight months in a row, the ongoing effects of Brexit and trade difficulties also reduced overseas enquiries for service companies.

“Inflation rates remained high, forcing businesses to pay more for food and energy and ongoing staff shortages put upward pressure on salaries.

“However, some improvement in fuel and transportation costs gave service providers a modicum of respite.”