Services sector grew at its slowest rate since February last year

The UK’s service sector has grown at its slowest rate since February last year – when much of the country was still under COVID-19 restrictions.

The monthly S&P Global/CIPS UK services PMI survey hit 52.6 in July, from 54.3 a month earlier.

Anything above 50 is positive so it means the sector – which accounts for 80% of UK GDP – was still growing, but more slowly than the 53.3 analysts had expected.

It comes as the Bank of England is expected to raise interest rates on Thursday, as it seeks to bring inflation down from 40-year highs.

That inflation is playing a big role in the cost-of-living crisis currently gripping most UK households, and those behind the PMI report said this was having a knock-on effect on the services sector, which is also facing increasing bills.

Tim Moore, economics director at S&P Global Market Intelligence, said: “Reduced levels of discretionary consumer spending and efforts by businesses to contain expenses due to escalating inflation have combined to squeeze demand.”

But there were some positive developments.

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Services firms are still hiring strongly, despite struggling to find good candidates, and concerns about inflation and higher interest rates.

Slowdown in cost inflation ‘can’t come soon enough’

There was also a considerable slowdown in input cost inflation compared to the previous month, likely due to lower commodity prices and a gradual easing of global supply shortages, Mr Moore said.

“Any slowdown in inflationary pressures can’t come soon enough for service providers, with many firms reporting growing customer resistance to price hikes and a subsequent downturn in demand,” he added.

Duncan Brock, group director at the Chartered Institute of Procurement & Supply, said: “A period of relative stability in terms of supply chain disruption was also a plus point, according to survey respondents.

“However, after the scramble to regain the heights in activity during the COVID bounce-back loses momentum, the UK marketplace will have to improve much more to avoid a prolonged summer of discontent.”