

UK service sector records fastest decline in activity since January 2021

The downturn in the economy has worsened this month as the service sector recorded the fastest decline in activity since January 2021, according to the closely-watched S&P Global / CIPS Flash UK Purchasing Managers Index (PMI).

The survey of 650 manufacturers and 650 service providers showed that growth was lower than expected and was at a level not seen since the [financial crash](#), if the months of the pandemic are excluded.

Scores below 50 on the index indicate [economic](#) contraction.

While a score of 48 was expected, a score of 45 was recorded for UK manufacturing output, a 29-month low.

Economic contraction was recorded across multiple categories. A 21-month low on the index was recorded for both the PMI business activity index and the composite output index.

The data showed the pace of economic decline gained pace due to “recent political and financial market upheavals”, according to Chris Williamson, chief business economist at S&P global market intelligence.

“The heightened political and economic uncertainty has caused business activity to fall at a rate not seen since the global financial crisis in 2009 if pandemic lockdown months are excluded.”

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As a result, recession is likely, he said. "GDP therefore looks certain to fall in the fourth quarter after a likely third quarter contraction, meaning the UK is in recession."

The survey showed business confidence had fallen to a level "rarely seen before in 25 years of survey history", he added.

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“As night follows day, investment and employment will suffer in the months ahead as companies adjust to the increasingly challenging environment. Hiring is already slowing sharply, with manufacturing now even shedding workers.”

Inflation remained higher than at any time in the survey’s history prior to the pandemic. Despite reduced consumer demand the weak pound and high energy costs the inflationary pressure “look set to drive the Bank of England into further aggressive interest rate hikes”, Mr Williamson said, which will increase borrowing costs.

“On top of the collapse in political stability, financial market stress and slump in confidence, these higher borrowing costs will add to speculation of a worryingly deep UK recession.”