

## Dip in UK services PMI takes shine off recent run of data

Latest data takes some pressure off the Bank of England, although the odds of a May rate hike are still roughly 50:50



Source: Shutterstock

**53** UK services PMI

Worse than expected

The encouraging run of recent UK data has taken a bit of a turn with the release of January's services PMI. At 53.0, the rate of growth in the service sector is now the slowest since September 2016, taking some of the shine off the latest GDP data.

Brexit continues to be mentioned as a source of uncertainty, and that's likely to persist over coming months until there is greater clarity on the future trading relationship. Some of the latest fall in the PMI is also likely to be down to the ongoing weakness in the consumer sector. Whilst core

inflation is set to return more or less to target over the summer, food and fuel prices are continuing to rise, meaning consumers are likely to continue to take a fairly cautious approach to non-essential purchases.

There was some slightly more encouraging news on the employment front. The PMI data suggests that job creation has picked-up, providing further tentative evidence that the recent dip in employment was simply a temporary blip, rather than a broader sign that slow economic growth through 2017 is starting to catch-up with the labour market.

Overall though, today's data takes some pressure off the Bank of England to hike rates later this year. That said, policymakers will take heart from the better recent news on wage growth, which is showing signs of life as skill shortages become more prevalent. This means a 2018 rate hike now largely hinges on Brexit.

We expect the Bank to keep its cards fairly close to its chest on Thursday, and we think at this stage, the odds of a May rate hike are roughly 50:50.

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