

GBP finds little love from UK Services PMI

Latest numbers prove to be another disappointment for sterling strength



Source: iStock

53.2

August UK Services PMI

Slightly below consensus but far from signalling the 'doomsday' UK recession scenario

Worse than expected

A miss in the UK August services PMI figures is a disappointment for the pound, which is in dire need of a catalyst to break negative trading psychology. Saying that we suspect any fallout to be limited; a lot of bad news, including the current weak patch in the UK economy, is already priced into GBP. We suspect it will take evidence of a more pronounced slowdown, with signs of the domestic economy sliding towards stagnant growth or worse a recession, to take GBP below key support levels. The August composite PMI at 54.0 is far from providing evidence of this doomsday scenario.

The focus shifts to next week's UK CPI inflation data and Bank of England (BoE) meeting. We expect to hear [greater noise from BoE officials over GBP weakness](#) – through the prism of what this means for inflation overshooting the 2% target and whether the growth-inflation policy trade-off has altered for some MPC members. This in itself could provide a backstop to the current GBP-selling

environment.

[Click here for why we think](#) Draghi and Carney matter more for EUR/GBP in the near-term