

## Services PMI suggests UK growth remains sluggish

The chances of a Bank of England hike this year still look slim, as the latest survey of service-sector firms points to another quarter of 0.3-0.4% growth



Source: iStockphoto

The latest UK services PMI has come in above expectations, but at 53.8, it still suggests that growth hasn't picked up from the sluggish 0.3-0.4% rate seen in the second quarter. According to Markit, firms continue to cite Brexit uncertainty and the household spending squeeze as dampening factors when it comes to new orders and demand for their services.

---

*We don't expect a rate hike this year*

---

There is, however, some positive news for the hawks at the Bank of England, as a "number of companies" pointed to difficulties in finding skilled staff. With the unemployment rate at record lows, this development could put some upward pressure on wages. That said, we still think that uncertainty over consumer demand, combined with rising costs from higher import prices,

means that firms are unlikely to accelerate wage gains - or at least not to the extent the Bank of England hopes. Remember the Bank is currently forecasting wage growth of 3.5% in 2018 (vs. around 2% today).

That's a key reason why we don't expect a rate hike this year, although we could see a fairly mixed message today from the Bank as the hawks and the doves continue to disagree on the trade-off between weak growth and rising inflation.

## Author

### James Smith

Developed Markets Economist, UK

[james.smith@ing.com](mailto:james.smith@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).