

## Uncertainty continues to cloud UK service sector

Political uncertainty and the consumer slowdown will continue to keep a lid on growth next year, even if there are some positive Brexit steps over coming weeks.



Source: iStockphoto

# 53.8

 UK services PMI

Worse than expected

An unexpected fall in the UK services PMI to 53.8 suggests that the positive momentum in the manufacturing sector isn't being felt more widely. The consumer sector remains under pressure, but firms also cited Brexit uncertainty as restraining growth and confidence.

Heading into 2018, some of this uncertainty cloud may start to lift if a transition period can be swiftly agreed, thus removing the risk of a 'cliff edge' in March 2019. This should help unlock some

shorter-term business spending, but there are still a number of Brexit unknowns – not least when a trade deal can be agreed (or indeed what one will look like) and whether a two year period is long enough for businesses to adjust. These unknowns mean that businesses are likely to maintain an air of caution when it comes to medium/long-term investment.

---

### *There are still a number of Brexit unknowns*

---

Interestingly, Markit also point to a slowdown in the rate of hiring – the slowest pace since March. This echoes what we are starting to see in the official employment data and is another early sign that this year's economic slowdown may be starting to take its toll on job creation.

If this is the case, then it could have important implications for the Bank of England's optimistic wage growth forecasts. Less heat in the jobs market, combined with the "ongoing pressure on margins" highlighted by today's PMI survey, suggest pay growth may not take off quite as much as the Bank is hoping next year.

All of this means a 2018 rate hike is still not guaranteed – although a move in February or May certainly can't be ruled out.

## 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).