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## Strong services sector survey leads to questions over recession

Economists have questioned whether the UK has actually entered a double-dip recession after a survey revealed another strong month for the services sector.

The Markit/CIPS survey showed growth in the powerhouse services sector for the 16th consecutive month. It read 53.3 for April, with a number above 50 representing growth, although this is down from 55.3 in March.

The UK economy slipped into a technical recession during the first quarter of the year, the Office for National Statistics said, with a 0.3 per cent decline at the end of last year followed by a 0.2 per cent contraction in the first three months of 2012.

Chris Williamson, Markit's chief economist, said: "From what we are hearing from panellists, this certainly does not sound like an economy in recession."

An increase in incoming new business was driven by firms succeeding in turning inquiries into contracts, boosting the sector, Markit said.

Optimism among UK service providers has reached its highest point for more than two years and more than half of those surveyed said they forecast a rise in activity in the next year.

However, the survey found margins had been squeezed in the past month. Companies have offered discounts in a bid to attract more customers and this has weighed on pricing power.

Williamson said: "Even though the weaker services growth follows similar slowdowns in manufacturing and construction, the PMI (purchasing managers index) surveys suggest that the economy will have expanded again in April, and that the recent gloomy official data pointing to a downturn in the first quarter will eventually be revised to show modest growth."

But Williamson's optimistic outlook was not matched by Jonathan Davis, managing director of Jonathan Davis Wealth Management, who suggested the UK had yet to exit the slump it fell into in 2008.

Davis said: "Clearly if Markit are saying 75 per cent of the economy is in mild growth then there is a question over whether we are in recession. I would say we are not in recession but in a capital 'D' depression.

"The fact is we have had so little growth since 2008, even with bigger government borrowing and low interest rates, yet we still can't get growth.

“53.3 in April is only just above 50 and is down from 55.3 from the previous month, so it’s clearly not a strong services sector. They are saying it is mildly growing but it could be statistical rounding and it could be that services are also falling.

“With the level of interest rates we have and the amount of government spending there has been, we should see five to 10 per cent per annum growth - never mind zero growth.”