

March 29, 2012

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UK: Softer monetary messages.

Continued weakness in lending evident

BoE numbers on underlying monetary dynamics showed less reassuring messages in February data. These aggregates, which exclude intermediate other financial companies, are the ones that the BoE has been using to help assess the health of bank lending and monetary conditions generally. They showed a M/M fall back of 0.4% in underlying M4 growth, a result of which pulled the three-month annualized rate (possibly more closely watched by the BoE given the volatility in the numbers) back down to 2.5%.

On an more clearly downbeat note, the underlying lending numbers fell further, actually showing a second successive drop of 0.1% M/M, with the more upbeat picture evident in previous numbers largely revised away. Indeed, the three-month annualized rate fell 0.1%, the first negative reading since 2010.

The still very soft lending data will cause some worries within the BoE, especially in light of the fall in expected credit supply that was evident in some parts of the latest Credit Conditions Survey that the central bank released today. Even so, other data such as the continuing recovery in services activity (data also released today) will reassure the BoE that the economy is set for a rebound, at least in terms of current quarter GDP.