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Western European Indicators and Insights

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UK: Services activity more solid?

More upbeat survey data to keep BoE on hold

Providing a clear upward surprise this time around, the March services PMI bounced back. Specifically, it increased 1.5 points to 55.3, unwinding much of the 2.2 point slump seen in the previous month. The March reading therefore remains below the January reading which was the highest since this time last year, with it likely that the latest bounce may be a result of poor weather hindering activity in February.

This is therefore another piece of survey data that shows resilience in the economy. Indeed, it is noteworthy that the average PMI services reading so far this year is above the long-term average of the survey, also being the highest since mid-2010, surely a reflection of the downside risks facing the economy actually having materialized, at least in this sector.

Given the corroborating messages from other PMI survey data, they also showing a recovery in manufacturing and construction, these more upbeat economic numbers are surely having some impact on BoE thinking, especially with the MPC having advertised its focus on such up-to-date survey material. However, signs elsewhere are not so reassuring, especially on the monetary side. Even so, the thrust of data makes it likely that the BoE will not extent its asset purchase program, not only at the MPC meeting that finishes on Thursday but also at the more important gathering next month.