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Western European Economic Indicators and Insights

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UK: Better Monetary Messages

Key Data Add to the Case For the BoE Not Providing Any More Stimulus (at last for the time being)

BoE numbers on underlying monetary dynamics showed slightly more reassuring messages in March 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 bounce of 0.5% 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 up to 6.4%, actually the highest since late-2007.

Also on a less downbeat note, the underlying lending numbers also bounced, the 0.2% M/M rise being the first positive reading in three month, albeit with the three-month annualized rate still down 0.3%.

Meanwhile, the number of mortgage approvals surprisingly edged higher in March, albeit with the 49 860 reading still below the recent average but up from a February figure which was the lowest since last June. Moreover, the value of overall approvals was unchanged at £ 11.9 bln.

Meanwhile, and of some note, average mortgage rates were down slightly at 3.32%, a fresh cycle-low. Otherwise, consumer credit remained weak, albeit edging up 0.2% M/M, ie a third successive rise.

This recovery in lending data will cause some relief 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 last month. Even so, the BoE will be aware that more bad news is on the way with mortgage lenders having recently announced rises in mortgage rates to take account of the rise in the cost of their funding over the last six months.