New York • London • Boston
DECISION ECONOMICS, INC.
Information for Decisions™

Western European Economic Indicators and Insights

September 27, 2012

Andrew Wroblewski
Chief Economist, Eurozone and UK

London
+44 20 7959 3244
awroblewski@decisioneconomicsinc.com

UK: Less Marked Contraction

Recovery Looming?

Real GDP decreased by 0.4% in Q/Q terms last quarter, a notch less weak than previously estimated albeit still showing a steeper fall than the 0.3% drop in the previous quarter and has been in continued and deeper formal recession, the latter corroborated by a Y/Y rate of an unrevised -0.5%

The source of the upward revision came from less marked weakness in construction and manufacturing and from a less marked fall in household consumption on the spending side of the accounts, while net trade provided a further drag on growth.

Notably, *the latest result will have been affected by a number of special factors including the Jubilee and poor weather during the quarter, but with growth still seen to have been only around flat after stripping out these effects.* Indeed, the only major upward impact on GDP in the quarter came from a rise in inventories, which added around 0.5 percentage point to headline growth in Q2.

One positive came from a clear recovery in household disposable income, the latter helping the savings ratio hit a two-year high of 6.7%.

DE View: These data are now too historical to have any policy implication. Even so, the array of more recent data is likely to make the BoE think that the clear recovery in current quarter GDP may be more than a simple unwinding of the distortions that undermined these Q2 figures.