

UK: GDP Momentum Clearer

by Andrew Wroblewski

Above Trend Growth?

Real GDP rose further, enjoying a 0.1 percentage point upward revision last quarter. Indeed, GDP rose by 0.7% Q/Q in Q2, up from 0.3% in the previous quarter and the third clear rise in the last four quarters of data. *As a result, the Y/Y rate picked up to 1.5%, the highest in over two years.*

The source of the upward revision on the output side was broad based, actually showing even clearer areas of strength on the industrial side and increasingly in manufacturing. Otherwise, clear growth was seen in services and construction, the latter enjoying its first rise since early-2011, save for the distorted Q3 reading from last year.

Consumer Holding Up

Perhaps the main interest in this regard being the expenditure side break-down, released for the first time with this estimate. This showed the Q2 bounce on the spending side came in spite of a further drop in inventories. Notably, there was a continued, but *still modest, rise in consumer spending, albeit the 0.3% Q/Q rise still being the seventh successive increase*, alongside a second successive boost from net trade.

DE View: These numbers corroborate the picture of an economic recovery gaining increasing traction. There are clear hints from the break-down (especially in manufacturing) that growth momentum may continue into the current quarter and that the Q2 pick-up was far from just being a bounce in activity from a previous quarter depressed by cold weather.

As for the BoE, the data certainly do not argue clearly for the resumption of asset purchases, with even the commitment to forward guidance that the BoE has flagged of late likely to cause (even) more reservations from some MPC members and markets alike.