

Booming Britain! Latest figures smash consensus

Despite all the doom and gloom surrounding the economy, the toxic political backdrop and Brexit uncertainty, Britain is supposedly booming based on July data



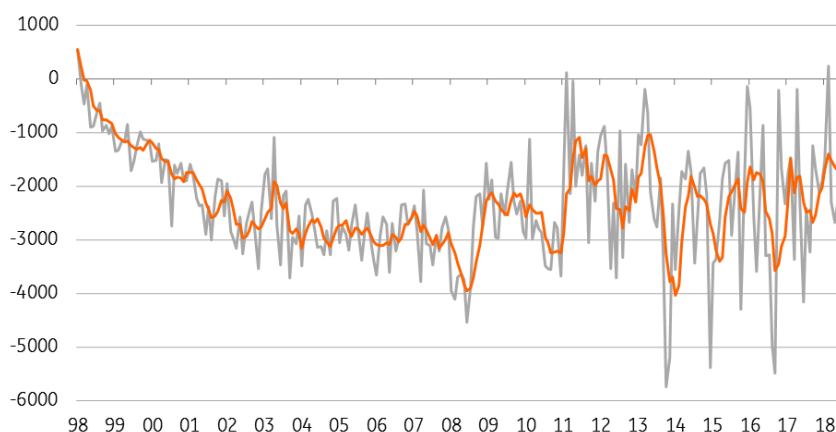
Source: Shutterstock

New monthly GDP figures

The UK has released a raft of decent data for July. The headline figure is the GDP number – the ONS' new monthly series – which showed the economy apparently growing 0.3%MoM in July, well ahead of the 0.1% consensus and faster than the 0.1% growth rate of June. This means the 3M/3M change is 0.6%, which is the best figure since August last year. Services sector output rose 0.3% while construction was up 0.5% and production industries increased 0.1%. As such it supports the Bank of England's decision to raise rates last month.

Separately, the trade numbers showed a sharp narrowing in the goods deficit to a five-month low of £10.0bn while the total trade deficit for July shrank to just £111mn - £2bn smaller than predicted by the market. Remarkably, this is the fourth best monthly trade balance figure in the past 20 years with the real encouragement being that it was caused by a jump in exports rather than purely slower imports.

UK trade balance with 6M moving avg (£mn)



Source: Bloomberg, ING

A tough environment

These are great figures and suggest there is still life in the UK economy despite all the negative political headlines and the pressures faced by the household sector. However, the UK is still expected to be battling it out with Japan and Italy as to who is the worst performing developed market economy this year and next. Tomorrow UK jobs report is likely to show a renewed slowdown in employment growth while real wage growth is likely to remain depressed by inflation. Furthermore, the outlook for investment remains poor given the ongoing uncertainty over the UK's future trading relationships. Given this tough and uncertain environment, we think it highly unlikely that the Bank of England will raise rates before the UK leaves the EU on 29 March next year.

Author

James Knightley

Chief International Economist

james.knightley@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom

this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.