

UK growth helps tick November rate hike box

The latest growth reading is unlikely to get in the way of a November Bank of England hike, but it does raise question marks about further tightening next year.



0.4% Third quarter growth (QoQ%)

Better than expected

At 0.4%, UK growth was not quite as bad as feared in the third quarter. And given that the Bank of England had pencilled in 0.3% growth in the August inflation report forecasts, today's GDP figure is unlikely to create too many waves ahead of next week's meeting.

The details we get at this stage are relatively limited, but the main difference between the second and third quarter was a sizeable contribution from manufacturing. Crucially though, the service sector is still struggling to fire on all cylinders and that has meant that overall growth is still below

the 0.6% average quarterly GDP increases seen between 2014-16.

But given that GDP data is already fairly outdated at the point of release, the question is “what next”? Well, with inflation set to continue outpacing wage growth for several months to come, there are few reasons to expect consumer spending to stage a dramatic recovery. And whilst it looks more likely that the Brexit talks can move to the next stage after December, there is still plenty of political uncertainty for firms to contend with as we head into 2018.

So whilst we expect the Bank of England to increase interest rates next week, the sluggish growth outlook will weigh heavily on the Bank's decision-making process when it comes to further tightening next year.

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