

## UK growth outlook is brighter despite unexciting April data

It may be hard to pick out much in the way of a trend from the UK GDP figures right now at an industry level, but the economy does seem to have built up steam so far this year. We expect 0.4-0.5% GDP growth in the second quarter



We don't believe a strong first half of the year is likely to change the course of Bank of England rate cuts in 2024

Another month, another welcome upside surprise to UK economic growth. Monthly GDP was flat in April, but that followed a very strong March and indeed overall first quarter. Economists, including ourselves, expected a modest drop in activity in these latest figures.

Admittedly, the details reveal a mixed bag and the truth is that it's hard to pick out any clear trends from particular industries so far this year. Production and construction were both eye-catchingly bad in April, though these are volatile and it's quite possible a lot of this is weather-related. Fortunately, the service sector is looking decidedly better this year, and that accounts for 80% of economic activity in the UK.

It's tempting to put this down to rising real wage growth. Inflation is now very close to target, at a time when nominal pay growth is stuck near 6% temporarily. That is likely to fall as the year wears on, but real incomes will continue to grow throughout 2024. However the trend in consumer-facing services, according to the latest GDP numbers, is less clear-cut. Those consumer-facing elements saw GDP fall by 0.7% in April, led predominantly by a fall in retail activity. Instead, the overall service sector was bolstered by things like IT, communications and professional services,

with fewer direct links to the consumer.

The bottom line is that beneath the surface, it's hard to say anything very sensible about what's been driving the monthly GDP figures over recent months. But when you aggregate it up, it's clear that UK growth is improving. After today's data, we think the second quarter as a whole should see 0.4% or 0.5% growth, after 0.6% in the first.

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