

## UK manufacturing fights back

Strong global growth and the effect of the weaker pound seems to be finally coming through in the manufacturing numbers



Source: istock

**0.7%** UK manufacturing output

Better than expected

One of the big 'good news' stories of 2017 is the global pick-up in growth. That, along with the weaker pound, has seen UK manufacturing sentiment rise noticeably. But for much of this year, you wouldn't have noticed by simply looking at the production numbers.

But a sharp 0.7% month-on-month rise in production during September, following some better readings over the summer, suggests these positive drivers may finally be being reflected in higher output.

Given the extent of the pound's fall (almost 20% since November 2015), you could still argue that manufacturing should still be performing better. Although as we have noted for a while now,

the fact that supply chains are increasingly complex and interconnected means logistical considerations and competitive advantage probably matter just as much as price.

Either way, the manufacturing sector appears to be one fairly bright spot in an otherwise sluggish growth picture. But given that manufacturing represents a relatively small share of the UK economy, the persistent weakness in consumer spending is a bigger consideration for the Bank of England. We don't rule out another hike next year - but with overall growth likely to remain weak and signs of domestically-generated inflation still limited, we think the Bank will tread carefully.

## Author

### James Smith

Developed Markets Economist, UK

[james.smith@ing.com](mailto:james.smith@ing.com)

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