

## UK manufacturing sector still a clear bright spot

The latest UK manufacturing PMI shows the sector is still riding high on the wave of stronger global growth and, to a lesser extent, the weaker pound



Source: istock

**56.3** UK manufacturing PMI

Markit/CIPs pointed to solid increases in export orders from across the globe, as well as further rises in new work owing to new product launches. Admittedly this buoyant activity has taken some time to filter through to the official manufacturing data, although reassuringly, the latest few output readings have been more encouraging.

The manufacturing sector continues to be a clear bright spot, but it's worth remembering that it makes up a relatively small share of the overall economy. Elsewhere, there are few obvious

catalysts for a pick-up in consumer spending, particularly with real wages set to be more or less flat this year. This will offset any further manufacturing gains and limit overall growth to around 1.4% in 2018.

This will continue to make life difficult for the Bank of England who we believe has a relatively narrow window before the summer if they want to squeeze in another hike. Brexit noise could really ramp up in the autumn ahead of October when some kind of deal realistically needs to be agreed to allow time for ratification.

Policy makers have signalled they are inclined to increase rates again if the opportunity arises, particularly now that a transition period is likely to be agreed at some point in the first quarter. But a benign outlook for growth and inflation means a rate hike is still far from a done deal.

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