

UK manufacturing stays lower amid steadier global growth

At 54.4, the latest UK manufacturing PMI is a little better than hoped but is still a far cry from the levels seen towards the end of last year



Source: iStockphoto

Whilst Markit/CIPS noted the weakness partly reflected a slower pace of domestic orders, we also wonder whether the steadier global growth over the past few months is starting to weigh. We suspect it is too early to see any tariff impact in these figures, but the slowdown in the Eurozone that we saw through the first quarter may be playing a role. The gradual strengthening in the trade-weighted pound since last summer could also be beginning to hit demand at the margin.

Of course, the UK's manufacturing sector only makes up around 10% of the economy, so we suspect the Bank of England will be paying closer attention to next week's services index as it tries to gauge whether growth is rebounding after the weaker first quarter. After a couple of months of dismal weather, May finally saw the sun come out and this should have given the struggling high street a much-needed boost. That said, [as we noted yesterday](#), we think consumer-facing sectors are not out of the woods just yet. Households remain cautious in the face of rising petrol prices, stagnant real wages, as well as economic uncertainty more generally.

For that reason, a rate hike over the summer is still far from guaranteed. However, our feeling from

recent Bank of England commentary is that the committee has a preference to hike rates sooner rather than later if the data allows, in part to combat the risk of rising wage growth and underlying inflation.

Author

James Smith

Developed Markets Economist, UK

james.smith@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>.