

## UK PMI offers comfort on growth

A decent rebound in the PMIs suggests 2Q activity is starting on a much stronger footing than 1Q17.



Source: iStock

# 56.2

Composite PMI (Purchasing Manager's Index)

Previously 54.8

Better than expected

This is the highest reading since December last year and offers hope that 2Q GDP report won't be as soft as the 0.3%QoQ growth recorded in 1Q17.

The write-up suggested that there was weakness in the consumer sector, which presumably reflects the squeeze on spending power caused by the weak pound pushing up import prices. For now, business-to-business activity is holding up well and offsetting the consumer slowdown. Exports are performing well due to stronger global growth and the competitiveness boost from the weaker pound.

The combination of healthy growth and rising inflation is likely to lead to further calls for higher

interest rates. However, we still feel that brexit related uncertainty and weaker spending power will lead to lower growth in the UK economy overall. Also, weakening wage growth suggests there isn't any real build up in domestically generated inflation pressures. Moreover, with Kristin Forbes, who voted for a rate hike in March, set to leave the MPC in June getting a consensus behind higher interest rates will be more challenging. We continue to look for stable BoE rates until the likely outcome of the Brexit negotiations becomes clearer.

## Author

**James Knightley**

Chief International Economist, US

[james.knightley@ing.com](mailto:james.knightley@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 [www.ing.com](http://www.ing.com).