

9 February 2018
Snap

UK: Risk of GDP revision

Softer December trade and production data coupled with downward revisions suggest the potential for 4Q GDP growth to be revised down to 0.4%QoQ

UK industrial production fell 1.3%MoM in December, worse than the 0.9% consensus while there was a 0.1 percentage point downward revision to November. The December softness relates to the shutdown of the North Sea Forties pipeline for unplanned maintenance (oil & gas output fell 24.2%MoM) and should rebound in January, but it does suggest the risk of a very modest downward revision to 4Q GDP. Manufacturing rose 0.3%MoM, in line with expectations, while November was revised down two-tenths of a percentage point to 0.2% growth.

There was also disappointment in the December trade balance. It showed a deficit of £4.9bn – the worst reading since September 2016, which is a pretty poor story given the competitiveness boost that sterling's big declines should have provided and the stronger economic activity data we have seen globally.

Today's data reinforces the message that the UK continues to underperform other developed market economies, growing at around half the rate of the US and the Eurozone. As such, while the Bank of England is clearly hinting at the potential for a May rate hike, we remain cautious on the longer term path for rates, particularly given the Brexit-related uncertainty.

-£4.9bn Worst monthly trade deficit
for 15 months

James Knightley
Chief International Economist
+44 20 7767 6614
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 NV 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. The producing legal entity 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 subject to limited regulation by the Financial Conduct Authority (FCA). 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.