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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 competitveness 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

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