

United Kingdom

Official data paint disappointing picture of industry and construction in November

- **Manufacturing output stagnates in November, weaker than buoyant PMI**
- **Construction shows surprise fall**
- **Both sectors show positive trends, but official data point to weaker Q4 GDP than surveys**

Weaker than expected output of the industrial sector and a surprise drop in construction industry output in November suggest fourth quarter economic growth could come in lower than the surveys are indicating. Nevertheless, the economy remains firmly in recovery mode, and a rebound from this current bout of weakness looks likely in coming months.

Industrial production was unchanged in November against the consensus expectation of a 0.4% rise. Manufacturing output was also flat against expectations of a 0.4% rise, according to the Office for National Statistics. Data for October were also revised down.

These are disappointing figures compared to the super-strong business surveys that we've been seeing. The PMI has been signalling some of the strongest rates of growth of output and new orders since the late 1990s in recent months, and the British Chambers of Commerce survey is likewise signalling record growth in the fourth quarter.

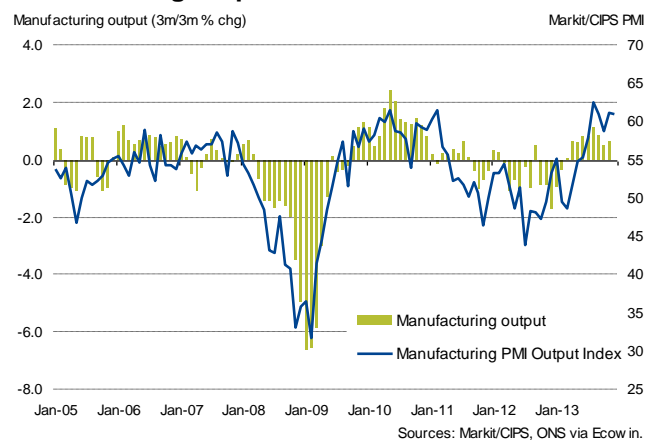
The official data on construction were also a big disappointment, though these data are very volatile, so need to be treated with caution. Output fell 4.0% in November, which was the largest fall for nearly one-and-a-half years. This decline is also in marked contrast to the surveys, which indicate that the sector is enjoying a mini-boom, fuelled to a large extent by the housing market.

However, despite the disappointment in November, the underlying trends remain firmly positive in both industry and construction. In the three months to November, construction output was 0.7% higher than the previous

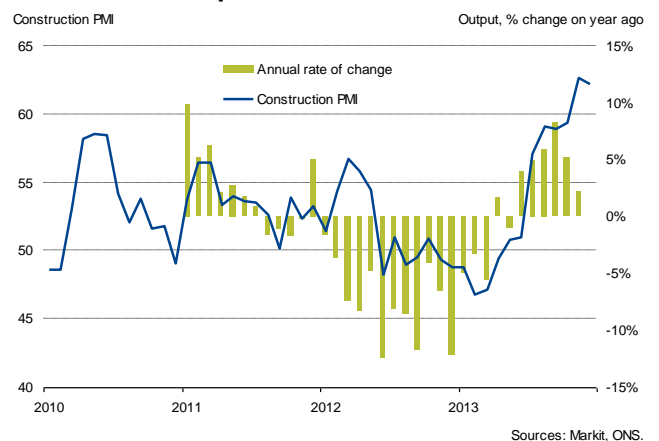
three months while manufacturing output was 0.6% higher. Industrial production was up a more modest 0.3%, but this has more to do with disruptions to north sea oil and gas production than the true health of the economy.

While the surveys are signalling that the economy is growing at a rate of approximately 1.0% in the fourth quarter, the official data are so far coming in weaker, pointing to GDP growth of approximately 0.7% and below the 0.8% increases seen in the second and third quarters.

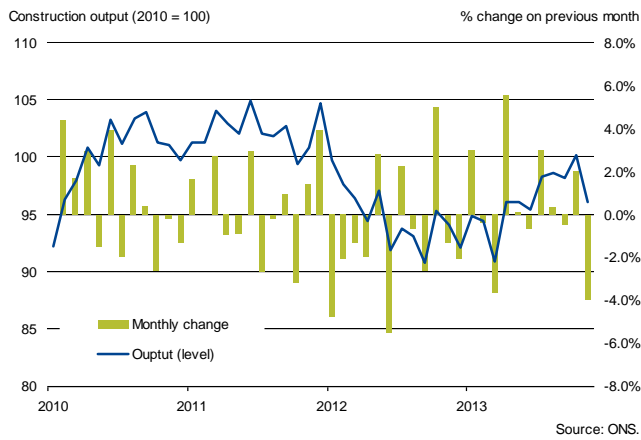
Manufacturing output and the PMI



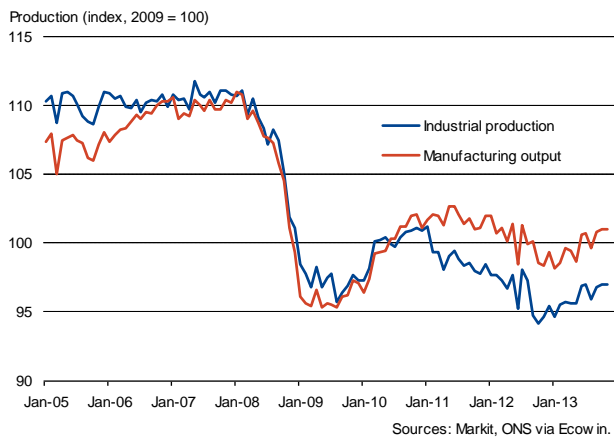
Construction output and the PMI



Monthly construction data



Industry output levels



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