

United Kingdom

Official data reinforce PMI signal of accelerating service sector growth

- **Service sector growth accelerated at start of second quarter**
- **Official data supports buoyant message from PMIs of economy gaining momentum**

Further evidence that the UK economic recovery is gaining momentum was provided by official data on the output for the services sector.

The output of the vast sector, which ranges from restaurants through to banks, grew 0.2% in April, up 2.0% on a year ago. That follows a 0.5% expansion of output in the first quarter, which offset contractions in both manufacturing and construction to help generate a 0.3% increase in GDP.

The data, from the Office for National Statistics, therefore add to signs that momentum has picked up compared to the first quarter, with the quarterly rate of growth rising to 0.8% in the three months for April from the 0.5% expansion seen in the three months to March and a flat picture in the fourth quarter.

The latest rise leaves the sector just 0.8% smaller than its pre-recession peak, reached in February 2008.

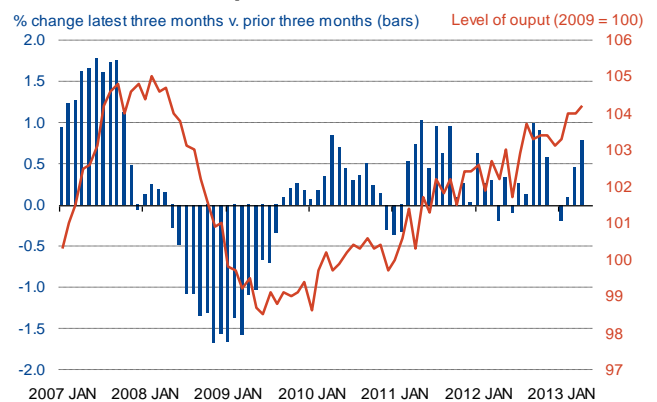
The encouraging performance looks to have persisted into May. More up to date information on the sector has been provided by the PMI, which showed growth hitting a 14-month high in May and suggesting that the sector has seen the strongest quarterly expansion since the first quarter of last year so far.

The surveys have also indicated that the manufacturing sector saw the best growth since the start of 2012, and that even the beleaguered construction sector saw a welcome stabilization of activity. Combining the official data available to date with the surveys points to GDP expanding by approximately 0.5% in the second quarter, assuming growth momentum is maintained in June. June PMI data are published next week.

Providing the dataflow holds up well in June, it seems increasingly unlikely that the Bank of England's policymakers will opt for further asset purchases at its

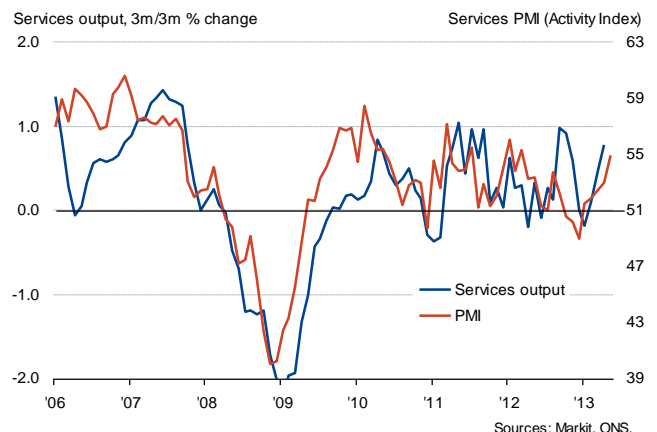
meeting next week, which takes place after the PMI data are published and is the first with new governor Mark Carney.

Service sector output



Sources: Markit, ONS.

Services: official and survey output measures



Sources: Markit, ONS.

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