

United Kingdom

Sterling hits three-month high as manufacturing PMI beats expectations

- Sterling rises 0.3% as consensus-beating PMI reduces stimulus hopes
- Data point to UK recovery being sustained in second quarter

Sterling v USD



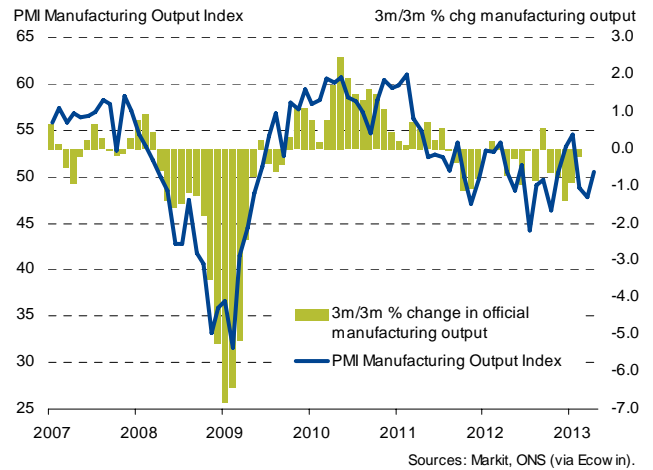
Sterling jumped 0.3% after April's Markit/CIPS Manufacturing PMI came in above expectations. The near-stabilisation of the manufacturing economy signalled by the survey significantly reduces the likelihood of the Bank of England voting for further QE at its May meeting next week.

The PMI came in at 49.8 in April, up from 48.6 in March. The consensus according to Reuters polling unit was for a dip to 48.5.

Sterling rose around 25 pips initially on back of the manufacturing PMI release, going on to rise almost 35 pips to \$1.5590, up 0.3% to its highest since February. The pound also gained 0.1% against the euro.

The improvement in the April PMI follows official GDP data which showed the UK economy growing 0.3% in the first quarter and, for many analysts, put an end to speculation that the Bank of England might sanction further QE at its next policy meeting.

UK manufacturing PMI



Analysts were also impressed by the PMI survey showing the biggest rise in exports since mid-2003.



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