

United Kingdom

Manufacturing output surge adds to signs of strong first quarter economic growth

- **Manufacturing output grows 1.0% in February**
- **GDP tracker tool points to 1.0% Q1 increase**
- **Recruitment agencies indicate fastest pay growth since 2007 as recovery feeds through to wages**

Manufacturing output expanded far more than expected again in February, adding to indications that the economic recovery has moved up a gear in 2014.

Factory output surged 1.0% during the month taking production 3.8% higher than a year ago. A Reuters poll had indicated that economists were only expecting a 0.3% rise.

Industrial production grew 0.9% over the month, according to the Office for National Statistics, up 2.7% on a year ago, helped also by a rebound in oil and gas extraction after bad weather hit the industry in January.

The official data follow business surveys such as the PMI, which have shown manufacturing booming in recent months. Manufacturing output is running 0.8% higher in the three months to February, while industrial production is also up 0.8%.

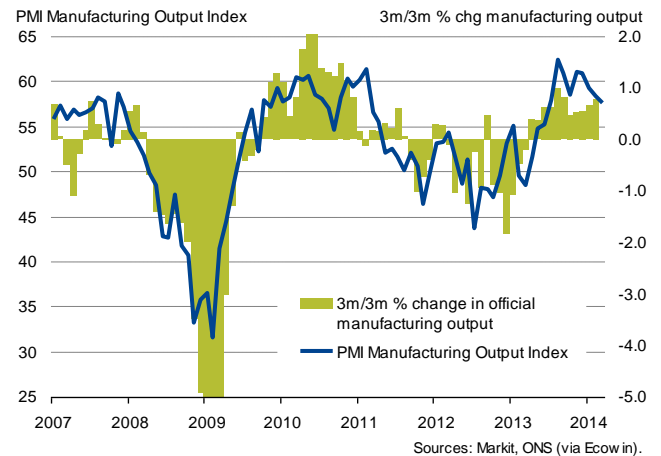
On the downside, manufacturing output remains 8.2% lower than its pre-crisis peak. Industrial production is 12.3% lower.

Buoyant first quarter GDP

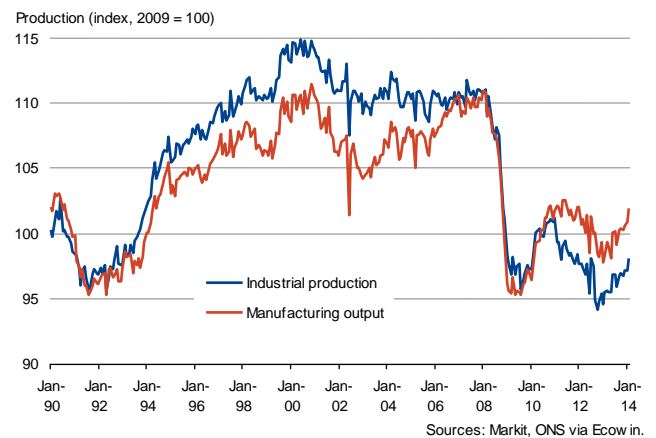
The official data available so far for the first quarter point to a 1.0% increase in GDP, which would be the strongest increase since the second quarter of 2010, though the surveys suggest some easing in the pace of growth was evident at the end of the quarter. The expansion may therefore weaken in the second quarter, but there's nothing to suggest that the slowdown will be anything other than modest, leaving the UK on course to grow 3.0% or more this year.

Construction, manufacturing and services are all showing strong growth so far in 2014, pointing to a broad-based and robust-looking upturn.

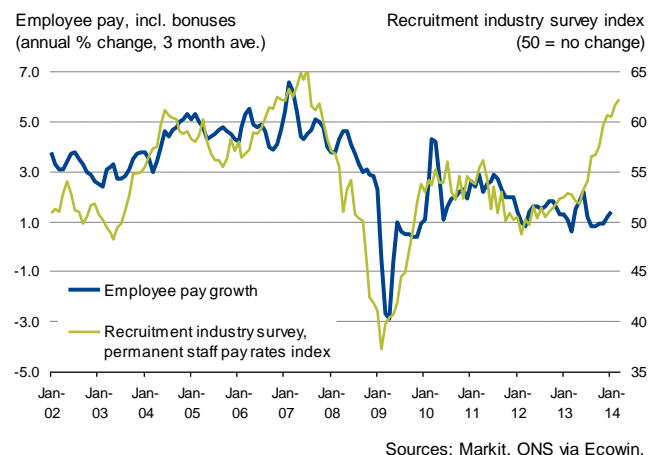
Manufacturing output



Long-term production trends



Recruitment industry survey



Recovery feeding through to higher wages

One of the most encouraging aspects of the manufacturing expansion is the extent to which it is feeding through to higher wages. Official data showed average weekly pay rising at an annual rate of 3.2% in the three months to January, which was the fastest rate of increase since November 2010 and almost double the current rate of inflation.

The [recruitment industry survey](#), conducted by Markit on behalf of KPMG and REC released today, showed pay growth also picking up in other sectors in March. Average salaries awarded to people taking up permanent positions rose at the fastest rate since July 2007.

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