

# United Kingdom

## Industry enjoys fastest growth for six years ahead of Brexit vote

- **Smaller than expected decline in industrial production after buoyant April**
- **Growth in three months to May fastest since May 2010**
- **Heightened uncertainty in wake of Brexit vote suggests strong growth may not last**

UK industry was growing at the fastest rate for six years in the three months to May, according to official data, but there are serious doubts as to whether such buoyant performance can be sustained.

The solid performance in recent months adds weight to the argument that the Bank of England should hold off from aggressive stimulus to boost the economy following the UK's decision to leave the EU, such as cutting interest rates or expanding its QE purchases. However, the Bank may not wish to wait, given [recent survey data](#) showing the resilience of the relatively small manufacturing sector being offset by a marked slowing in service sector growth and the steepest drop in construction activity for seven years, suggesting more policy stimulus could be seen as soon as next week.

The manufacturing sector saw output fall in May, but the decline was less than expected. The 0.5% decline in factory output represents only a modest payback after production jumped by 2.4% in April. The data from the Office for National Statistics also showed a weaker than expected 0.5% decline in the wider measure of industrial production, which had risen 2.1% in April.

Looking at the three months to May, the industrial sector enjoyed a 1.9% expansion of output, the strongest rate of increase recorded since May 2010.

The better than anticipated performance suggests the industrial sector maintained reasonable growth in the second quarter, and will have helped drive a further expansion of GDP. The Markit/CIPS manufacturing PMI also showed surprising resilience in June, pointing to the fastest expansion for five months, with producers enjoying an increase in sales growth in the lead up to the referendum. However, the survey also

found firms to have become increasingly worried about the impact of uncertainty in the event of a vote to leave the EU.

The outlook is certainly cloudy for UK firms: while the steep drop in sterling seen since the referendum should provide a boost to exports, more important for the longer-term prospects for manufacturing is the extent to which the UK's access to the single market can be maintained and the nature of the trade deals that the UK is able to negotiate with other key export markets.

### UK Manufacturing Output



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