

United Kingdom

Manufacturing recovery gains further momentum

- **Factory output and wider industrial production measures up 0.4% in April**
- **Manufacturing up 2.0% in latest three months**
- **Economy on course for strong growth in Q2**

Britain's factories are booming, enjoying their best spell of growth for four years, according to the latest official data. The data not only indicate that the recovery has gained strong momentum, but also that the economy is rebalancing, though there is still a long way to go before manufacturing reaches its pre-recession size.

Data from the Office for National Statistics showed UK industrial production rising 0.4% in April, with manufacturing output up 0.4%. Recent figures were in line with expectations, according to a poll by Reuters.

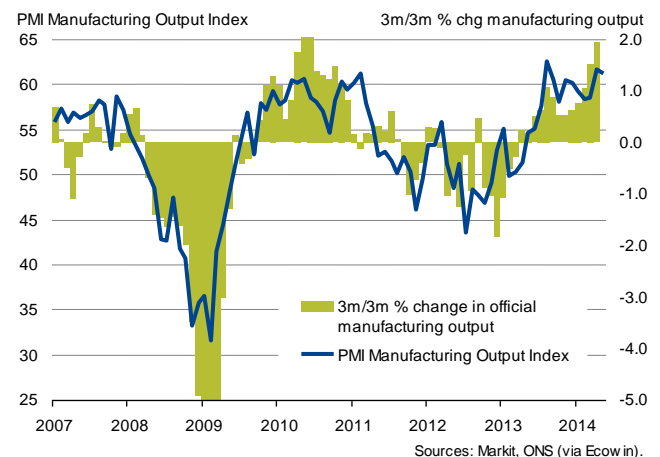
Compared to a year ago, manufacturing output has risen 4.4%, which is the best growth rate seen since February 2011. Moreover, in the latest three months alone, output is up 2.0%, which is the largest increase since June 2010.

Recovery gaining ground

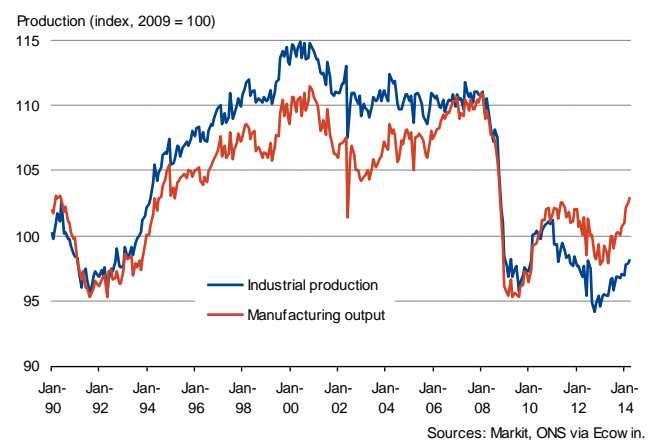
While this growth needs to be seen in the context of manufacturing output still running some 7.0% below its pre-recession peak, the pace of expansion recorded in recent months paints a very encouraging picture of how the recovery is gaining further ground. The data support survey evidence which suggests that the economy will have grown strongly again in the second quarter, perhaps by as much as 0.8%, which would take the level of GDP higher than its pre-recession peak.

While the official data are only available up to April, the Markit/CIPS PMI manufacturing survey, alongside its sister surveys of construction and services, has indicated a continuation of the country's economic growth surge in May. In recent months the three PMI™ surveys have collectively signalled the strongest spell of expansion in private sector business activity seen in the 16 years of data collection. This growth spurt has been accompanied by record job creation, as firms boost capacity to cope with rising demand.

UK manufacturing output



Production levels



The official and survey data also help to dispel the notion that the recovery is based purely on consumer credit and the housing market, but is instead being fueled to a large extent by booming factories and industry. This so-called 'rebalancing' means the recovery is looking increasingly sustainable.

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