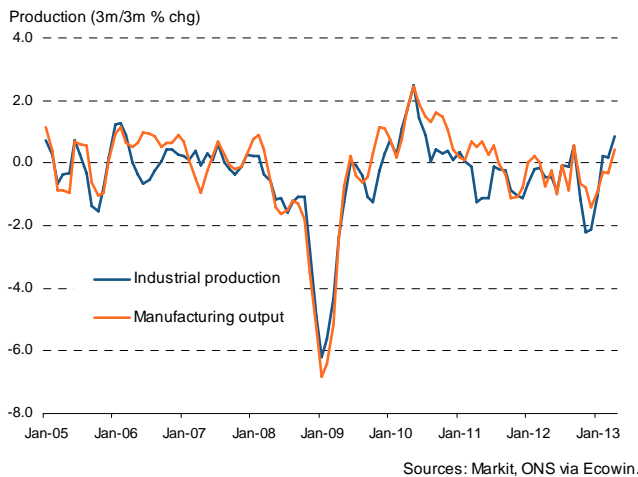


UK economy

Industrial production growth strengthens to highest for almost three years

- Industrial production rises for third straight month in April
- Three-month trend in manufacturing one of the strongest since July 2011 (+0.5% 3m/3m)
- Data add to signs of strengthening economy

Quarterly growth rates



UK industrial production grew at the fastest rate for almost three years in the three months to April, helping to drive an increased rate of economic growth in the UK in the second quarter. Further stimulus from the Bank of England therefore looks increasingly unlikely, with new Governor Mark Carney taking the helm of an economy that is on a rising tide.

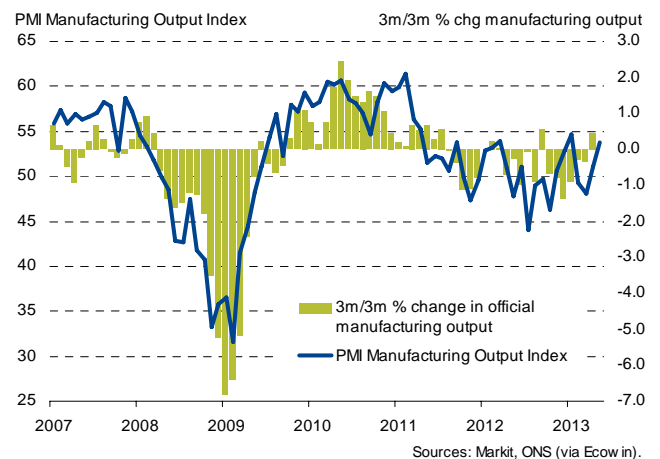
There are prevailing winds, however, notably sluggish global economic growth and still unresolved issues and stresses in the eurozone, which will limit growth in the coming months. But we expect to see UK growth forecasts revised upwards, especially if the June PMIs suggest that momentum gained further traction and the eurozone recession easing further.

Industrial production rose 0.1% in April, increasing for the third straight month. Over the latest three months production has jumped some 0.9%, which is the best growth seen since July 2010. Manufacturing output fell 0.2% in April, but the fall was generally less than had been expected and needs to be looked at in the context of strong rises in prior months, as well as possible disruptions due to the timing of Easter.

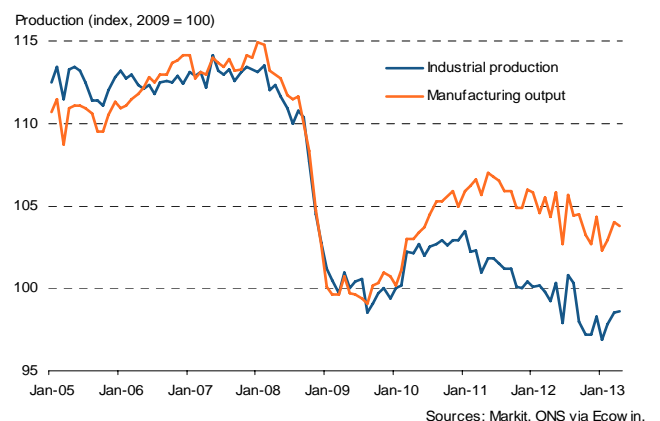
The most interesting number is therefore the 0.5% increase in manufacturing output over the latest three months, which contrasted with the 0.3% decline seen in the first quarter and was a huge turnaround on the 1.4% rate of decline seen in the final three months of last year. Manufacturing is now growing at one of the fastest quarterly rates since July 2011.

The official data look set to improve further in May, according to the surveys. The manufacturing PMI hit a 14-month high in May, fueled by new orders rising at the fastest rate for over two years. Alongside faster growth in the dominant service sector and a return to growth for the hard-pressed construction sector, the better production data suggest the UK economy is on course to grow by around 0.5% in the second quarter.

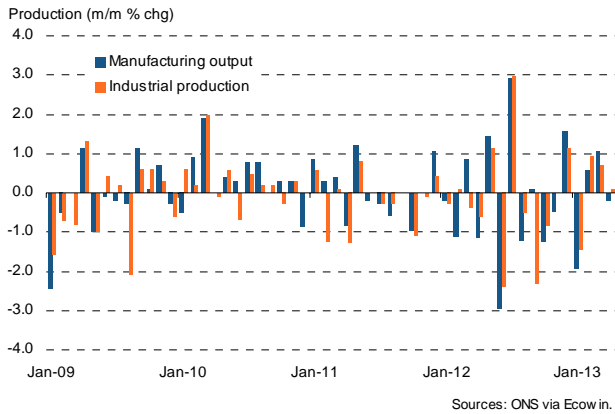
Official manufacturing v PMI survey data



Levels of production



Monthly % changes



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