

UK economy

UK economic growth gains momentum in Q1 despite adverse weather

PMIs signal ongoing recovery in Q1

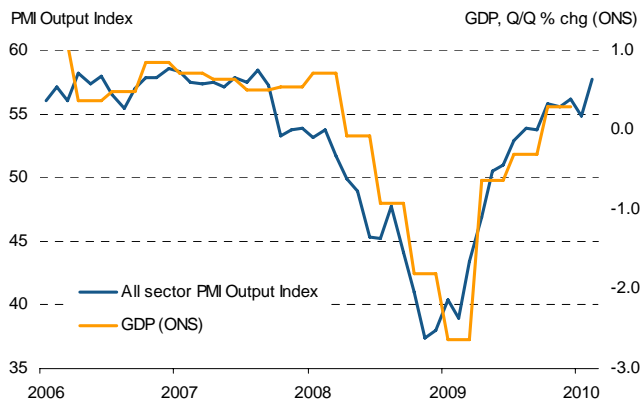
The 'all-sector' PMI Output Index, which combines business output and activity measures from the services, manufacturing and construction CIPS/Markit surveys, rose from 54.9 in January to 57.7 in February; its highest reading since August 2007. The improvement in the index more than made up for the weather-related slowdown seen in January.

Thus, despite the hit to trade at many business dealt by January's snow, at 56.3 the average reading for the all-sector Output Index for January and February is above the average of 55.8 seen in Q4. This puts the survey data for Q1 at a level consistent with GDP rising by approximately 0.5% compared to the revised figure of 0.3% recorded in Q4.

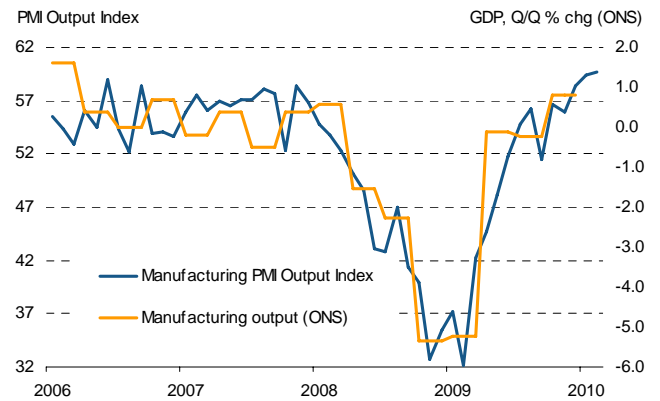
Manufacturing sees fastest output growth, followed by services

The upturn in Q1 to-date is being led by manufacturing, where PMI data suggest the sector is expanding at a quarterly rate slightly in excess of 1%, followed by services, where an average quarterly growth rate of 0.5% looks likely for the first two months of the year. Construction, on the other hand, appears to have continued to contract, although the rate of contraction eased according to the PMI.

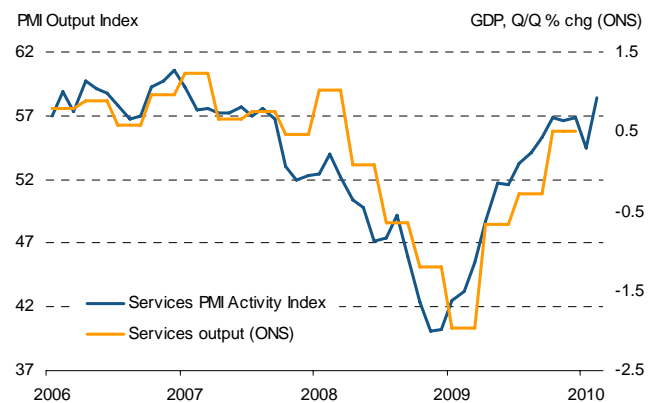
GDP



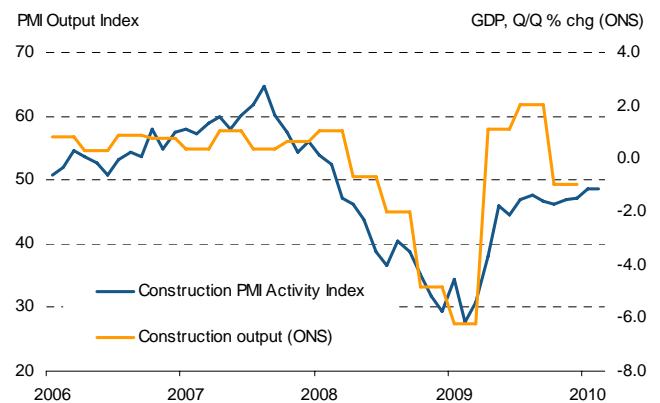
Manufacturing



Services



Construction



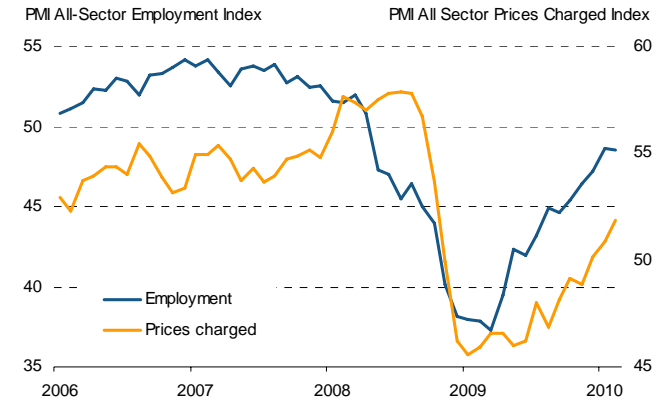
Sources for all charts: Markit, ONS

Pricing power and employment

Other PMI data also indicated that prices charged rose for the third successive month, pointing to a further revival in firms' pricing power as underlying demand continued to recover. The equivalent all-sector New Orders Index signalled the fastest growth of demand for goods, services and construction projects since September 2007.

While the recovery has yet to generate an increase in employment, the rate of job losses in Q1 has so far been only modest and the weakest since employment began falling in May 2008. A stabilisation of the private sector labour market appears not to be far off.

Prices charged and employment



Source: Markit.

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