Round up

The UK economy shrank more than originally thought…

GDP growth	-0.3%	↓	National Statistics' revised down their estimate for GDP in the first quarter of 2012. Figures now show that the economy contracted 0.3%, largely as a result of output in the construction sector being even weaker than previously thought.
Manufacturing growth	0.0%	↔	However, the figure for manufacturing growth was revised up, to show flat output over the quarter, with growth in March after two weaker months. More recently May's manufacturing PMI pointed to continued challenges for the sector, dipping to a three-year low of 45.9.
PMI	45.9	↓	

…while the labour market continues to improve moderately…

ILO unemployment rate	8.2%	↓	The number of people in employment increased by 105,000 in the three months to March, once again the result of increasing numbers in part-time employment. The number of full-time workers fell by 13,000. The ILO measure of unemployment fell by 45,000, and the ILO unemployment rate fell from 8.3% to 8.2%. The Claimant Count measure of unemployment – which records the number of people claiming Job Seekers' Allowance – fell by 13,700 in April, though there are 106,600 more claimants than there were at this time last year. The claimant count rate was 4.9%, unchanged from the previous month.

…CPI inflation drops, but remains well above target…

CPI inflation	3.0%	↓	CPI inflation fell to 3.0% in April, from 3.5% in March and is now at its lowest rate since February 2010. This month's fall in CPI inflation was more pronounced than had been expected, as the timing of Easter impacted on the calculations of air transport prices. We continue to expect CPI inflation to return to the Bank of England's 2.0% target in early 2013. Between April and March the main upward pressure on inflation came from: fuel prices, housing and household services, and increased tax on alcoholic beverages and tobacco. The largest downward pressure was a result of a fall in prices for furniture and furnishings.

...consumer confidence has edged up, but remains at low levels…

Consumer confidence index	-29	↑	Although the consumer confidence index edged up to -29 in May, it remains consistent with the subdued levels we have seen for almost 18 months now.

… Europe continues to weaken

Exchange rate (€/£)	1.25	↑	Manufacturing PMIs across the Eurozone – including Germany – have edged further into negative territory this month as concerns about the region continue to mount. However, the US has avoided the sharp contractions seen in the EU and is instead experiencing a modest recovery, though household spending cutbacks and fiscal tightening may well drag on growth there. In addition, while emerging markets continue to grow, they may be hit by weaker global demand.

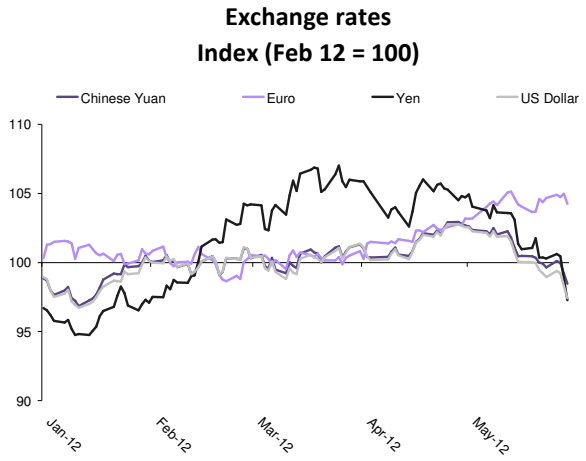
Chief Economist's Comment

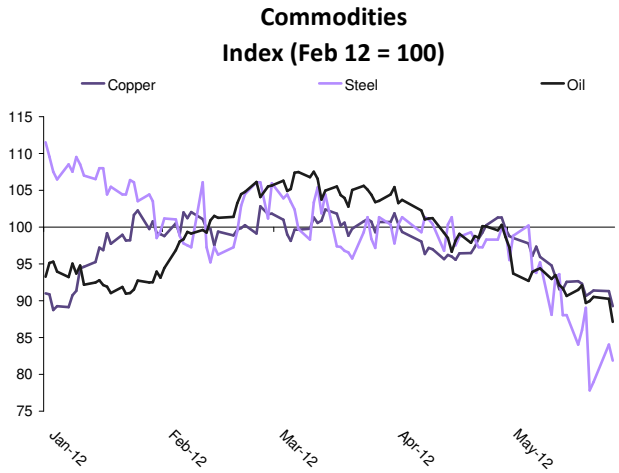
Another month brings more news of economic pessimism and growing uncertainty. According to revisions from the Office for National Statistics, the UK economy contracted by a bit more than first thought in the first three months of the year. GDP fell by 0.3% in 2012q1, the same pace of contraction as 2011q4. And the crisis facing the eurozone has escalated further with no clear end game in sight even with another election in Greece scheduled.

However, while many manufacturers in the UK are continuing to report solid trading conditions, the marked deterioration in global manufacturing indicators puts short term prospects on amber warning. The sharp drop in the UK manufacturing PMI will add further to worries about growth in the UK if this trend persists in the coming months.

In an attempt to move away from the gloom. A quick hunt through the statistics does reveals a few nuggets of better news. Overall GDP may be on the way down, but business investment staged a bit of a recovery in the first quarter and manufacturing made a decent contribution to the pick up; expanding by more than 5% on the previous quarter. Exports to non-EU markets continued to sit at record levels in the first quarter, with goods shipments up 8% on a year ago – twice as fast as export growth to all markets. Growth was especially strong in exports to China and South Korea. The question is, as the year goes on, will these occasional bright spots become much harder to find?

Prices





Sources: Bank of England, LME, EIA

Global data round-up

	GDP		Inflation		Unemployment rate	
	Latest	Forecast	Latest	Forecast	Latest	Forecast
	12q1 % q-q change	2012 % y-y change	Apr 12 % y-y change	2012 % y-y change	Mar 12 % rate	2012 % rate
UK	**-0.3**	**0.2**	**3.0**	**2.6**	**8.2**	**8.8**
US	0.5	2.4	2.3	2.4	8.2	8.3
Eurozone	0.0	-0.6	2.7	2.4	10.9	11.4
Germany	0.5	0.5	2.2	2.0	5.6	6.8
France	0.0	0.1	2.4	2.3	10.0	9.7
Japan	1.0	1.8	0.4	0.5	4.3	4.4
China	1.8	8.0	3.7	3.3	Comparable numbers not available	

Sources: BEA, BLS, Eurostat, Oxford Economics, Statistics Bureau and NBS