Round up

The UK economy shrank in the first quarter, and so did manufacturing…

GDP growth	-0.3%	↓	National Statistics confirmed that GDP contracted by 0.3% in the first quarter of 2012. Revisions to the data also showed manufacturing contracting by the same amount, instead of flat output levels, as had previously been reported.
Manufacturing growth	-0.3%	↓	
PMI	48.6	↑	The PMI remains in negative territory but June's figure of 48.6 is an improvement on the three-year low of 45.9 recorded in May.

…news from the labour market remains modestly optimistic…

ILO unemployment rate	8.2%	↔	The number of people in employment increased by 166,000 in the three months to April, which was the largest quarterly increase in employment since August 2010. The ILO measure of unemployment fell by 51,000 over the quarter, and the ILO unemployment rate now stands at 8.2%. However, The Claimant Count measure of unemployment – which records the number of people claiming Job Seekers' Allowance – rose by 8,100 in May. The claimant count rate was 4.9%, unchanged from the previous month.

…CPI inflation fell more quickly than expected…

CPI inflation	3.8%	↓	CPI inflation fell to 2.8% in May, from 3.0% in April. Inflation fell further than had been expected this month, and is now at its lowest level since November 2009. The main drivers behind the fall in inflation between April and May were from transport, as the price of fuel has started to fall back; and food and non-alcoholic beverages, where price rises were considerably more muted than in the year before. Upward pressures on inflation are likely to remain modest in the coming months and we expect CPI inflation to fall below the Bank of England's 2.0% target in the latter half of this year. The most recent minutes from the Monetary Policy Committee showed the committee was finely balanced on extending quantitative easing, with the majority of members thinking that more QE would be warranted in the future.

...consumer confidence stable at low levels…

Consumer confidence index	-29	↔	Consumer confidence remained at the low level of -29 in June with no bounce in sentiment related to the Jubilee Weekend. While the current position is better than it was at the depths of the financial crisis in 2008, the indicator remains persistently subdued.

… Europe remains a significant concern

Exchange rate (€/£)	1.24	↓	Manufacturing PMIs across the Eurozone remain firmly in contraction territory and many – including Germany – have edged down further in June. Tension across the region continues to impact markets both within Europe and in other parts of the world economy. Emerging markets are experiencing slower export growth and reduced capital inflows while the US has seen consumer spending slowing and disappointing labour market developments.

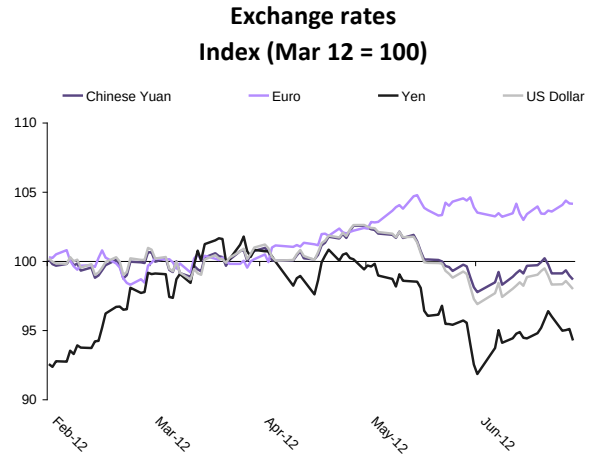
Chief Economist's Comment

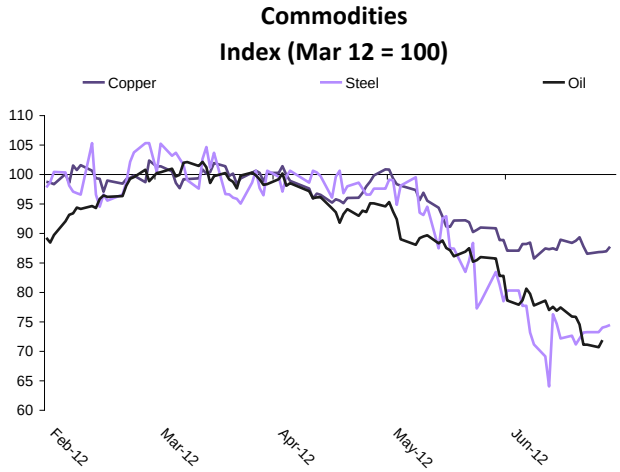
As always the monthly data run kicks off with activity indictors for manufacturing. Following a particularly sharp drop in a host of global manufacturing PMIs in May the picture overall looked little better for many in June. The composite Eurozone indicator remained in the doldrums with activity in Germany and Spain falling to three year lows. And in the US, where manufacturing had been proving more resilient, uncertainty about the future order outlook has also hit confidence, with their monthly activity indicator dropping into negative territory for the first time in more than three years.

News that Eurozone economies look to have struggled again in the second quarter comes after another summit attempting to tackle the crisis, with actions focused on addressing financial instability and moving towards closer integration of banking supervision. The outcomes from the summit cheered markets a little, but politicians are still playing the long game with little that will provide a boost to confidence or business activity in the short term.

Despite some action from the UK over the past month to improving lending, the risks to the recovery regaining momentum are still set to be firmly with us as we move into the second half of the year. Markets are now looking to the Bank of England for further moves on monetary policy. The Bank of England Governor's recent downbeat assessment of the economy combined with the close vote at June's MPC meeting for further QE suggests the bar to proceeding with another round of asset purchases in July has been lowered considerably.

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	May 12 % y-y change	2012 % y-y change	Apr 12 % rate	2012 % rate
UK	**-0.3**	**0.3**	**2.8**	**2.9**	**8.2**	**8.5**
US	0.5	2.2	1.7	2.2	8.1	8.3
Eurozone	0.0	-0.6	2.4	2.4	11.0	11.4
Germany	0.5	0.7	2.2	2.0	5.4	6.9
France	0.0	0.1	2.3	2.2	10.2	9.6
Japan	1.2	1.9	0.4	0.4	4.6	4.5
China	1.8	7.5	3.7	3.1	Comparable numbers not available	

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