

# More gloomy forecasts that will be wrong

The gloom mongers have latched on to the slowing of the UK growth rate in the first quarter, after the UK's good performance in 2016. They forget the timing of Easter issue which distorted consumer spending patterns. They now have to work their way round some obstinately good PMI figures. They think this means a prolonged slowdown.

Usually they like PMIs, as these are more opinion surveys than hard data. They fell sharply in the summer of 2016 after the vote, but the real economy did not fall away with them and so they recovered. The latest PMIs are strong, with manufacturing yesterday at 56.7 for May where over 50 means expansion. On normal relationships between PMIs and the performance of the actual economy this points to a sharp acceleration in UK growth in Quarter 2 after a quieter Quarter 1. This is not just based on better exports as the USA and the rest of the EU grows a bit. A lot of it is domestic. Demand for services at home remains strong, with many small businesses with plenty of work and some capacity shortages apparent.

The experience of retailers can be misleading. Many bricks and mortar retailers are struggling to keep up volumes. Some are losing margin and having to keep prices down. Shop prices are still lower than a year ago despite the movement up in general inflation around the advanced country world. This is because the internet companies are taking more and more business, and are able to sell at very competitive prices. I see no reason to change my view that the UK will grow around 2% again this year. Money growth is healthy and there are sensible amounts of credit available.

Published and promoted by Fraser Mc Farland on behalf of John Redwood, both at 30 Rose Street Wokingham RG 40 1XU