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## UK INDUSTRIAL PRODUCTION: FASTEST GROWTH IN ALMOST 4 YEARS

### Berenberg Macro Flash

April, mom %	Industrial Manufacturing	
Actual	2.0%	2.3%
Previous	0.3%	0.1%
Consensus	0.0%	-0.1%
Berenberg	0.0%	0.0%

Total production increased by 2.0% mom in April, the biggest increase since July 2012. Growth was significantly above estimates of 0.0% and followed a 0.3% rise in March. On a 3m/3m basis, industrial production grew for the first time since last November, up by 0.7% in April. Manufacturing - the largest industrial sector - increased by 2.3% between March and April, its fastest rate of growth since July 2012.

The expansion in manufacturing provided around three-quarters of the total growth in industrial production. The biggest contribution came from the manufacture of basic pharmaceutical products and pharmaceutical preparations, which increased by 8.6% mom. Today's big upside surprise falls in sharp contrast with soft industrial sector data during the month of April. According to the Markit/CIPs PMI index for manufacturing, the sector was the worst performing of the UK's three major sectors in April. The headline PMI index dropped to 49.2 (above 50 signals growth). The manufacturing PMI in April was the lowest reading since February 2013.

Monthly data can be volatile and prone to large revision. It would not be surprising if today's strong monthly growth rate was either met by a correction in May or a downward revision at some point in the future. However, there is some reason for optimism. Growth in continental Europe continues to look healthy after a better than expected first quarter, and US growth is accelerating after a weak Q1. Together, mainland Europe and the US account for two-thirds of UK exports. Furthermore, sterling has fallen by almost 9% in trade weighted terms since last November. Improving demand from key trading partners and broad gains in competitiveness via a weaker exchange rate is a promising recipe for growth for the export-oriented industrial sector.

But the global environment will remain difficult going forward and the risks to UK producers and exports remain to the downside. Also, the competitive edge gained through the weaker sterling will likely reverse somewhat if the UK votes to stay in the EU on June 23 (we see a 30% risk of a Brexit). However, our expectations for continued improvement in European and US growth could offset these drags. Industrial production accounts for around 16% of GDP and recent declines have dragged on overall GDP growth. If this marks the beginning of stabilisation or modest growth in the UK industrial sector, that would suggest some potential upside risk to GDP growth in the second half of the year if the UK remains in the EU.

% change	APR	MAR	FEB	JAN	DEC	NOV
Industrial production, yoy	1.6	-0.2	0.1	0.6	-0.2	0.9
Industrial production, mom	2.0	0.3	-0.2	0.6	-1.1	-0.8
Manu. production, yoy	0.8	-1.9	-1.6	-0.4	-1.7	-1.2
Manu. production, mom	2.3	0.1	-0.9	0.5	-0.3	-0.3

Source: ONS



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## MACRO NEWS

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