

Was 1st Quarter growth in the UK understated? Bank of England predicts steady growth in business investment

Some have made much of the slowing in UK growth to 0.2% in the first quarter of 2017. It picked up a bit thereafter.

In the Bank of England's Inflation Report for August we find the following interesting quote:

Quarter 1 growth "slowed sharply to 0.2%. The GDP backcast, which takes into account the revision properties of the official data and information surveys, suggests that growth in Quarter 1 was higher, at 0.4%".

The Inflation Report also reveals a worse balance of payments position in the first quarter than the Bank expected, with more imports than in their forecast. This meant international trade subtracted 0.4% from our GDP, given the continued high level of imports. This puts a different slant on the picture from the loss of confidence myths.

Contrary to some comments on the current position, the Bank was relatively positive on business investment, though would like it to rise faster. They said " Business investment is estimated to have risen by 0.6% in Quarter One.... Investment is projected to continue to grow at a steady pace in the near term".

The UK economy could clearly benefit from more investment in capacity, both to replace imports and to meet export demand. The rising profitability of business in general and the availability of low cost credit should encourage more such investment.