
UK ECONOMY SHOWS FEW SIGNS OF COMEBACK AS RATE HIKE DECISION NEARS: BCC

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LONDON (Reuters) - Britains economy shows little sign of breaking out of its lethargy and it is extraordinary that the Bank of England is considering raising interest rates, the British Chambers of Commerce said on Friday.

The BCCs Quarterly Economic Survey of businesses, the largest of its kind, said sales at services firms that make up the bulk of the economy were steady in the third quarter.

But there was little sign of a pick-up in pay pressures or investment, both of which the BoE expects to rise markedly next year.

Overall the BCC described the survey as uninspiring, with political uncertainty, currency fluctuations and Brexit clearly affecting British businesses.

Despite confounding forecasts that the 2016 vote to leave the European Union would lead to a sudden slowdown, Britains economy has struggled this year, posting its worst first-half performance since 2012.

The BCC said price pressures in companies, while high historically, looked likely to peak soon.

Against this backdrop, it seems extraordinary that the Bank of England are considering raising interest rates, said Suren Thiru, BCC head of economics.

In September the BoE said interest rates would probably rise in the coming months if the economy continued to grow and price pressures kept building.

A majority of economists polled by Reuters think the BoE will make its move at its next meeting in November - but most also said it would be a mistake to act now. [BOE/INT]

Wed caution against an earlier than required tightening in monetary policy, which could hit both business and consumer confidence and weaken overall UK growth, Thiru said.

Manufacturers enjoyed a better quarter, with domestic and export sales improving slightly, the BCC said.

While gauges of confidence in turnover and profitability stood at their highest levels since 2015, the BCC survey showed little desire among manufacturers to increase investment.

A slightly larger proportion of manufacturers said they expected to raise prices, but this was

mostly down to the cost of raw materials rather than pressure from pay settlements.

In the services sector, a net 15 percent of firms reported that pay was putting pressure on prices - up just a percentage point from the five-year low struck in the second quarter.

Other surveys, including one from the BoEs regional advisers, have pointed to similar weakness in corporate pay intentions.

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