

## **News Analysis: Growth in British economy, but long way off full recovery: economists**

LONDON, June 5 (Xinhua) -- The British economy continues to grow according to data released Wednesday, and the rate of growth is increasing. However, it is still far off normally associated with post-recession recoveries, according to economists. Everything from banking to transport showed increases, with the major services sector, which accounts for over 70 percent of the British economy, echoing the positive growth figures released earlier this week in the construction and manufacturing sectors, according to May PMI figures released Wednesday. "The pick up in all three sectors -- services, manufacturing and construction -- has been similar, with services the strongest of the three," Samuel Tombs, British economist with Capital Economics in London, told Xinhua. He added, "To some extent the surveys have been affected in recent months by temporary factors like bad weather throughout the first quarter. However, the growth is a bit more than just that. It is a response to improvement in financial markets and other countries abroad, apart from the eurozone." Services enjoyed its strongest growth since March 2012, and PMI registered 54.3 in May (where 50 plus is growth,) up from 52.1 in April. GDP growth was 0.3 percent in the first quarter of 2013, and the increasingly positive figures for the second quarter so far indicate that the British economy could increase its rate of growth in the second quarter. Earlier this week, PMI figures for the construction sector revealed that construction output rose for the first time since October last year, with the increase in home building rising to its fastest rate in two years. It was this residential sub-sector which led growth in the construction sector, resulting in a May PMI of 50.8, up from April's 49.8. The increases hid declines in commercial construction and civil engineering, however, the rate of decline in both sub-sectors had eased. Manufacturing PMI figures, also released earlier this week, showed an increase too with a growth in output and in new orders taking it to 51.3 up from 50.2 in April. Tombs said this would be reasonable but still below par for previous post-recession recoveries in the British economy. "This is still a long way from British economy trend growth, and from post-recession recovery. These are still early days, the first few months of recovery so we could see further improvements ahead." Tombs said he still predicted modest growth for the British economy in 2013. "The year ahead is pretty tough, with no substantial improvements in these type of surveys because households are still in quite a weak position and the squeeze in real pay is getting more intense so it is hard to see how consumer spending could be driving a meaningful recover." The deepening recession in the eurozone was also bad news for Britain, even though it is not in the euro. Britain's largest export market is the European Union, and Tombs said the continuing struggle for growth there meant that a recovery in the British economy was unlikely to be export led. "We are still expecting pretty weak growth for the rest of the year, we are still predicting 0.2 percent. We might have to revise it up a little, the consensus is below one percent. Dr Howard Archer, chief UK economist at IHS Global Insights, said, "The May services sector purchasing managers survey not only adds to a recent stream of

improved news on the British economy, but is among the most encouraging of the lot given the dominant role of the services sector. He said he was optimistic the British economy could grow by at least one percent in 2013. He said, "Still hardly great, but significantly better than seemed likely even a few weeks ago." He added the British economy still faces very challenging domestic and global conditions and added "relapses remain very possible, so it is important not to get too carried away with the latest data." Archer said that May's good and improving PMI figures reinforced belief that the Bank of England would not extend the quantitative easing (QE) program this month at its meeting tomorrow, Thursday. A further round of QE could take place when new central bank governor Mark Carney, current governor of the Bank of Canada, takes over from current governor Mervyn King at the beginning of July.