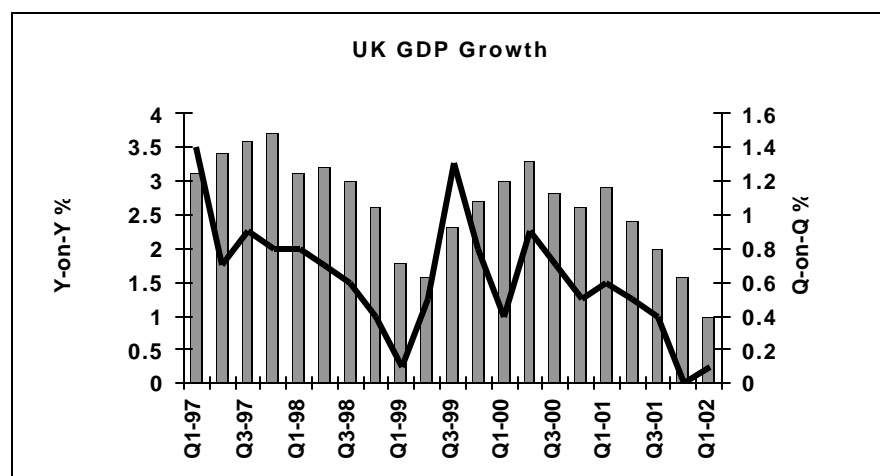


## UK Economy Disappoints in Q1

		Full Economy		Services Industries	
		Q/Q	Y/Y	Q/Q	Y/Y
2000	Q4	0.5	2.6	0.9	3.8
2001	Q1	0.6	2.9	1.2	4.5
	Q2	0.5	2.4	0.8	4.1
	Q3	0.4	2.0	0.6	3.5
	Q4	0.0	1.6	0.5	3.1
2002	Q1	0.1	1.0	0.5	2.4

The UK economy expanded by just 0.1% in the first three months of the year. This was below expectations for a 0.4% rise and showed little improvement from Q4's flat performance. On a y-on-y basis the economy grew by 1.0%, again below expectations. Industrial production was estimated to have fallen sharply once more, the major source of disappointment in the data. There were declines in all the major components ranging from manufacturing, energy extraction and the energy supply industry.



The service sector was estimated to have grown at a similar rate to that of the previous quarter, expanding by 0.5% on the quarter and 2.4% on the year. Growth in the distribution, hotels and catering sector was driven by strength in retail output. Some components of transport grew strongly, as did computer services. While post and telecoms also grew other business services were estimated to have declined. Agricultural output was estimated to have risen, as was construction.

The data, combined with this week's retail sales report, suggest that while the economy is expanding, the rate of growth is still modest. Against this background, the Bank of England is likely to hold true to its word and leave interest rates unchanged for the time being, at least until there is stronger evidence of a recovery in the economy.

**Geraldine Concagh**  
26 April, 2002