The UK was sending out some mixed signals on growth last week as manufacturing and construction went in different directions. The best news came from the Eurozone, for a change, whilst the Fed continues to wait.

Blip. Manufacturing has been in the doldrums of late, so it is welcome news that output jumped by 2.3%m/m in April. Q2 has got off to a promising start and it looks like manufacturing will contribute to economic growth this quarter, despite the recent weak PMI surveys for the sector. But there’s a long way to go and this is just one month. The bigger story is that manufacturing output remains no different to where it was in 1991. And of the 13 manufacturing sub-sectors, there are only three in which output is higher than it was at the start of 2008. April’s figures do little to change that assessment.

Weak foundations. Manufacturing managed a positive surprise this month but unfortunately it was construction’s turn to disappoint. Output fell 2.1%q/q in the three months to April, as the industry continues to struggle. The weakness was spread across its major constituents, from infrastructure to commercial development, but there was one that refused to join the retreat – private sector house building, which saw an impressive 5.4%q/q increase. More houses are very welcome but we’ll need to see growth of this scale continue if it is substantially to change supply conditions in the housing market.

North East heading south. UK private sector activity, according to the latest PMIs, picked up in May following April’s three-year low. But at a regional level there were more losers than winners. 8 of the 12 UK regions reported weaker rates of growth in May. Yorkshire & Humberside posted the biggest pick-up in output growth (55.1) but its pace of expansion was a shade below the regional league leader – the East Midlands (55.4). London (52.8), the South West (51.5) and the North West (54.5) were the other regions to report faster rates of growth last month relative to April. Meanwhile Northern Ireland (51.1) and Wales (51.5) saw a marked slowdown in their respective growth rates. Scotland (49.9) and the North East (48.5) are the two regions in contraction mode (<50). The North East has been heading south (contracting) in each of the last three months.

Hope springs. UK households have a rather different impression of inflation than the Office for National Statistics does. According to the latest survey from the Bank of England, UK residents report experiencing a 2% rise in prices over the last year, as opposed to the officially reported 0.3%. So perhaps it is little wonder that expectations for the future seem a little on the high side: 2% in one year’s time and 3.4% five years from now. Optimistic or paranoid, depending on which way you look at it. Either way the Monetary Policy Committee will be pleased to see that households aren’t expecting prices to fall, despite inflation being below its 2% target since January 2014.

Hard yards. The Eurozone economy is moribund no more. GDP within the single currency area rose by a very respectable 0.6% in the first quarter of the year. That’s half as fast again as the UK’s 0.4% rise in the same period, and three times the 0.2% subdued and substandard speed of the US. Yes there were differences among member states, but the stronger sense was one of remarkable consistency, with only one economy contracting. No prizes for guessing which, but Greece is the word. The contrast with Spain, which grew by 0.8% again in Q1 is striking. Even Italy managed 0.3% while France posted growth of 0.6%. Securing solid growth is hard won, maintaining it will be harder still.

Tepid. Overseas demand for China’s wares remains tepid. Exports rose by just over 1%y/y in May, helped by the recent modest fall in China’s currency. But a falling currency presents its own issues. Imports from Hong Kong rocketed with the most likely explanation being over-invoicing to get cash out of China. So capital flight continues and whilst still being small it indicates the difficulties of China’s on-going reform, rebalancing and economic slowdown.

Diminishing. Chinese consumer price inflation fell to 2%y/y in May from 2.3% as food price inflation retreated. Meanwhile the four plus years of falling producer prices appears to be moderating. Prices fell 2.8%y/y in May; half the decline recorded six months earlier. Chinese producer price deflation matters because much of what China makes is sent around the world, contributing to weak inflation across developed economies. That force is subsiding for now, but low levels of capacity utilisation in key industries suggests there may yet be more to come.

No surprises. The Fed will decide this week whether to raise interest rates. Speaking last week, Janet Yellen struck a carefully balanced tone. Economic conditions continue to improve and she expects more of the same, bringing inflation close to the 2% target over the next couple of years. However, recent poor job creation numbers could be a passing phase.