The Bank of England’s upgrade to its GDP growth forecast this year takes it almost back to pre-referendum levels. Meanwhile the Government published some of its post-Brexit policy goals in a discussion document.

Boost. The Monetary Policy Committee’s new forecasts show GDP growth of 2% for the UK this year.That’s a big boost to the 1.4% expected back in November and more than twice the 0.8% forecast in August. Good news then. But with inflation expected to approach 3% by the end of the year and wages likely to rise by much less, this is a more fragile form of growth from what we’ve seen recently. The MPC expects the saving ratio to fall to half its pre-crisis average over the next few years as households see higher growth in their spending than their incomes. That’s fine if all goes well, but it leaves growth more vulnerable to shocks in sentiment. Households are hoping for a smooth ride in the face of many potential bumps.

Buy now pay later. Borrowing by Britons rose by more than 3% in 2016, the fastest pace since 2008. With household incomes growing at around 2%, borrowing helped us to consume more than our pay packets alone would have permitted. While the bulk of our debt – almost 90% – is mortgages, it’s credit cards (+9%) and personal loans, including car purchase deals, (+12%) that saw most growth. Rising inflation will squeeze spending power this year. Will we borrow more, eat into our savings, tighten our belts or ask for a pay rise?

Intense. Start the year as you mean to go on. If January’s PMIs are anything to go by, there are reasons to be both cheerful and fearful for 2017. Manufacturing firms saw output accelerate to a 32-month high as a weak pound provided a tailwind for exports in recent months. Conversely, the headwind of inflationary pressures has intensified. Input prices rose at a record rate and firms are passing these costs on to customers. In the service sector there was some loss of momentum but new business expectations have returned to pre-referendum levels. As with manufacturing, cost pressures remain intense. As a result, service firms matched December’s record price rise for their services. Consumers beware!

Moderating. UK house prices increased by 0.2% last month, according to Nationwide, and by 4.3% on a year ago. These numbers contain the slightest hint that the housing market is cooling: a few months ago annual inflation was running close to 6%. But wages are growing at less than 3%, so even if price growth has moderated, the average house is becoming more difficult to afford day-by-day. For those climbing onto or up the housing ladder further moderation in price growth would be welcome. However, that’s not what people for whom housing is a major asset will want.

First steps. The Government’s White Paper on Brexit put down in writing much of what the Prime Minister said in her speech two weeks ago. It confirms the approach of gaining more control over immigration and reducing the oversight of European Court of Justice and highlights some of the consequences, leaving the single market being the biggest. The goals it articulates includes, “the freest and most frictionless trade possible in goods and services between the UK and the EU.” What that actually looks like is, of course, all up for negotiation. This is crucial to Northern Ireland – the only UK region to share a land-border with the Eurozone.

Building optimism. Construction in Belfast is at its highest level since 2008, according to Deloitte’s first-ever ‘crane survey’. 30 development schemes were either completed or under construction last year. Amongst these were: 4 new educational facilities, 7 new student accommodation projects, 6 office developments and 8 new hotels. Meanwhile, the latest RICS and Tughans Northern Ireland Construction Market Survey for Q4 2016 painted the most optimistic outlook in nine quarters for the year ahead. A broad-based recovery encompassing both housebuilding and commercial activity is evident. It's not all good news though. Infrastructure work remains weak, plus labour shortages and rising costs are building too.

Cruising. The Eurozone economy managed to grow by 0.5% between Q3 and Q4 in 2016, hot on the heels of the UK's 0.6%. Only a limited country breakdown is available at this point. Erstwhile sluggish performer France managed a 0.4% expansion. Spain's delivered a punchy 0.7% rise. Compared to 2015 the Eurozone economy grew 1.7%y/y last year, slower than 2% in 2015 but decent enough. The Eurozone faces the same challenge the UK does in the coming months – rising inflation sapping household income growth which had been lending plenty of support to the region's recovery.

Up it goes. The Eurozone's inflation rate rose from 1.1% to 1.8%y/y in January, the highest rate since early 2013, ahead of expectations and even higher than the UK's 1.6% for December! In Spain it rose to 3%. But beneath the headline 1.8% was an unchanged core rate of 0.9%. Underlying inflationary pressures are subdued for the moment. Meanwhile unemployment ticked from 9.8% to 9.6%, the lowest since mid-2009 but exactly double the rate in the UK.

Reality check. With rising inflation and decent growth could the Eurozone is ready to contemplate monetary tightening? That's premature, to say the least. The region still shows many of the scars of its crisis. Italy remains best by huge problems in its banking sector. It would generous to say it's even in the early days of its recovery. And an unemployment rate of 9.6% is nothing to crow about. European Central Bank President Mario Draghi will also be mindful of the mistake the ECB made in raising rates in 2011 when the worst of the Eurozone crisis was brewing.

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