The UK economy is hardly firing when growth accelerates by half, only to reach 0.3%q/q. Yet many would settle for that given the predictions made last year. For that thank a surprisingly strong service sector that's supporting generalised weakness elsewhere. Until the other parts of the economy start moving, growth will remain sluggish.

Rise and fall. UK GDP grew by 0.3% in Q2 and is now 1.7% larger than it was a year ago. Once again the services sector was responsible, expanding by 0.5%. Both manufacturing and construction shrank, by 0.5% and 0.9%, respectively. For optimists, the strength of the service sector, representing 80% of the economy, shows the underlying resilience of growth with services now 2.3% bigger than a year ago. For the pessimists the falls in production output are being masked by a short-lived expansion of services that's doomed to fall victim to the real income squeeze. On 3rd August we'll find out which interpretation the MPC places most weight on.

Not so super. With output now 13% above its 2008 peak, the services sector has had a better recovery than the rest of the economy, which is up 9% overall. The UK's retail and leisure sector has done particularly well over the past eight years, growing by more than 15%. Yet that run of good form may change. Output from retail & leisure has barely changed in real terms since late last year as the squeeze on households' discretionary expenditure started to hurt. Instead it was down to business services and finance to contribute most to Q2's growth.

Action. The UK's film and television industry also deserves a special mention. It's grown by a whopping 72.4% since 2014. Tax credits play a part, but only a cameo role. The industry's strength is largely organic and home grown, and interwoven with a wider renaissance in the creative sector that includes music, design, advertising and technology. Around 80,000 people work in film and television, the majority in production and post production. And while London is clearly dominant, Glasgow has quietly established itself as the industry's second city, with Belfast worth a notable mention too. And with the Giant's Park Film Studio coming on stream, Northern Ireland's film industry is only likely to continue to grow.

Softer. Businesses don't like uncertainty. But, to paraphrase Donald Rumsfeld, there is no shortage of known unknowns at present. Professionals within Northern Ireland's commercial property market signalled a softening in occupier and investment demand in Q2. That's according to the latest RICS and Ulster Bank Commercial Market Survey. Expectations for both rents and capital values were also trimmed. Political uncertainty – including that linked to Brexit – is acting as a brake on activity. Investment enquiries were broadly flat in Q2 with the foreign variety notching up its fifth successive quarter of contraction. Over half of surveyors in NI (as in Scotland & London) report evidence of firms seeking to relocate out of the UK due to Brexit. One thing's for sure, there will be plenty more uncertainty in the quarters ahead.

Lost decade. Stagnant incomes are a key issue of our times. Yet ever thus, the situation is more nuanced than headlines portray. Median real disposable incomes in the UK were up 1.9% in the year to April. But that obscures two diverging fortunes. First the time thing. Real incomes are only 7% higher than they were a decade ago; pre-crisis growth would bring this closer to 30%. Second is the age thing. Median incomes for retired households are up 18% in the past decade, yet are unchanged for non-retired households. A consequence is that while pensioner poverty has fallen, inequality among the retired is rising.

Not so fast. July saw the Eurozone’s rate of economic growth moderate for the second successive month. That’s according to the flash PMI which hit a six-month low of 55.8. No cause for concern yet though. It’s still a respectable rate of growth and new orders remain close to their multi-year highs. Job creation remains another bright spot with manufacturers registering their second-highest jobs gain on record. Eurozone economic growth in Q3 may turn out slightly weaker than Q2’s 0.7% q/q. but that’s still one the UK economy would happily swap places with.

(Un)Happy Birthday. You might say “no way” but the tenth anniversary of the financial crisis is approaching. August 2007 saw the first major indication that all was not well with US sub-prime. Ten years on and the US Fed last week signalled its readiness to unwind the quantitative easing undertaken in response to the crisis. The Fed may begin by phasing out reinvestments of maturing securities in September. But two things could get in the way. First, inflation is failing to rise as expected. Second, political agreement needs to be reached on raising the US government debt limit. Never straightforward.

Rebound. The US economy upped its performance in Q2, growing by 0.6%q/q. Consumer spending was the biggest contributor, adding almost 2 percentage points to the 2.6% annualised pace. Businesses chipped in too, with growth in equipment investment the fastest in almost two years. Less positive was signs of lower household savings to maintain spending (echoes of the UK). And there were further signs that inflation is slowing in the face of continued Fed tightening.

Shrink it! Coin clipping, the act of shaving bits off silver and gold coins, was once a treasonable offence. Today’s equivalent is firms reducing quantity while maintaining price. While no longer punishable by death it irks consumers and presents a statistical conundrum when measuring inflation. But is “shrinkflation” material? The fact is it only really matters in one specific part of the inflation basket capturing sugars, jams, syrups, chocolate and confectionary. Prices there have risen by 4.6% since 2012, but when you adjust that for shrinking portion size it comes to 5.9%. Higher, but hardly radically denting your standard of living, and probably enough to keep the food manufacturers out of the gallows.

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