Not only has the poor weather prolonged winter and darkened our moods, it also looks to have taken a fair slice off economic growth in the first quarter. With luck it's just a blip.

In its stride. UK manufacturing production fell 0.2% between February and March, the first decline in a year. There may be some ripple effects from what's happening in the wider EU. Data from France, Germany and Italy point to a softening in the sector, although activity levels are still elevated, and German manufacturers' problem is partly attributable to supply constraints. Taking the pulse of wider global growth and its near-term outlook (both good) suggests this is a wobble for the UK rather than a renewed slide. And the sector is still performing well compared to the recent past with output up 2.5%y/y.

Chilly. It’s easy to forget but construction enjoyed a decent run from 2013 to early 2017 when UK output rose by 31% (NI up 47% in 4 years). Trouble is, it has broadly flat-lined for the rest of 2017 and has since taken a turn for the worse, dropping almost 5% in just two months to February. Snow in late February didn’t help. There are bright spots. Private sector house building remained buoyant, up 2.8% on the quarter and infrastructure increased by 1.3%. Still, the construction sector’s struggling. Let’s hope some spring sunshine spurs activity.

Trading down. Robust global growth mixed with a weak-ish pound provided a boost for UK exporters in 2017. But sterling’s effective exchange rate hit a 19-month high in February. And with it the UK’s trade deficit widened, with a decrease in export volumes outside the EU. Conversely EU trade rose with exports and imports up by over 1%. Over the last year the Republic of Ireland has been one of the UK’s best performing export markets, with goods exports soaring by over 16% y/y. It’s uncertain how this key trading relationship will change post-Brexit.

Tip of the iceberg. You’d be forgiven for thinking not much was going on in the UK housing market. Halifax reported that average prices were up 2.7%y/y, slightly slower than the 3.8% rise this time last year. So nothing to see here then? Not quite. Surveyors have been grumbling about falling demand for a year now, particularly in London and the South. Prices in London are falling and expected to continue to do so. So far most of the rest of the UK has resisted following London’s lead. But trouble underneath the surface of the UK housing market could change that. In NI, whilst prices continue to rise, newly agreed sales and demand for property in the form of new buyer enquiries both eased, according to the RICS and Ulster Bank survey. The outlook is slightly less certain than it was.

Blame the weather. The South West & Scotland were the only two UK regions to report faster rates of growth in March. All of the other regional PMIs pointed to a slowdown. The North East fell below the 50.0 expansion threshold for the first time in seven months. The 'Beast from the East' played havoc with supply chains and business activity. Expect a rebound in April. Despite experiencing the sharpest slowdown of all the UK regions – the East Midlands maintained its top position for business growth and job creation. Both the East Midlands & Northern Ireland had their strongest quarter for output growth since Q3 2014. Firms in Yorkshire & Humberside remain the most optimistic about the year ahead.

Slow down. So all in all it's shaping up to be a sluggish start to the year. Indeed the fairly reliable economic forecaster NIESR estimates that the UK economy grew by 0.2% in Q1. That compares to 0.4% in the final quarter of 2017 and equals the slowest rate since Q4 2012, when output fell by 0.3%. It certainly chimes with other data. They pin the slowdown on a frozen construction sector and, possibly, a relatively lacklustre performance by services. Enough to steer the Bank of England's rate setters away from rising in May? Probably not.

High five. According to NI's composite economic index (NICEI), the closest indicator to GDP we have, the NI economy expanded by 0.4% q/q in the final quarter of 2017. All of the five components of the index, incorporating the public and private sectors, rose together for the first time since Q3 2013 – the latter effectively marked the start of NI's recovery. The year-on-year growth rates are more disappointing with the NICEI and its private sector component down 0.2% and 0.3% respectively. Overall, 2017 saw lacklustre growth of 1.2% which compares with 1.8% for the UK. The composite and private sector indices may have hit eight and nine-year highs respectively. But unlike the UK and the Republic of Ireland, output has not yet returned to its pre-recession levels. To date, NI's private sector has recouped less than two-thirds of the output lost in the six years to Q2 2013.

Recovery not recovered. NI’s private sector growth rate concealed contrasting performance within different industries. While all sectors expanded in Q4, industrial production *(mostly manufacturing)* posted its fastest rate of decline in 2017 since the global recession struck in 2009. In 2016, industrial production finally returned to its pre-recession high. That proved to be short-lived. The closure of the JTI tobacco plant last year sent Food, Drink & Tobacco output to a record low and overall industrial output back to a four-year low. Construction and services fared much better with both recording eight and nine-year highs respectively. But as of Q4 2017, construction and private sector services had recovered just 48% and 64% of the output lost during the recession. Recovery for all sectors remains a work in progress.

Signs of warming. US consumer prices rose 2.4% in March compared to the same month in 2017. That’s the largest gain in a year and up from February’s 2.2% reading. The core rate, which strips out food and energy and gives a clearer picture of underlying price pressures, rose 2.1%y/y. This too is the largest gain in a year and the figure sits above an average of 1.8% over the past ten years. A weaker dollar (raising import costs) and previous price declines in mobile phone bundles are now falling out of the year-on-year comparisons. Expect both to nudge inflation a little further.

Jam today. Higher inflation has hurt UK consumers. And the latest savings data shows how they’ve reacted. Households saved just 0.9% of their income, after adjusting for taxes and other mandatory costs, the so-called “cash saving ratio”. That was down from 2.9% in 2016 and 6.1% in 2015. Quite a slide. Over the same period there’s been no growth in real disposable incomes measured on a cash basis, hence the pressure on savings. What happens next? Gently climbing wage growth will help repair piggy banks, as will a steady fall in inflation. But the price of jam today means it will take a long time to return to saving ratios seen just two years ago.

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