Following the recent Grieve amendment, the chances of Parliament passing PM Theresa May’s Withdrawal Agreement tomorrow look very slim. A rejection would force Mrs May to unveil a Plan B next Monday. An array of outcomes is possible with an increasing chance of Article 50 being extended.

It’s not always about the weather. UK GDP growth eased to 0.3% in the three months to November. The main culprit was a widespread slump in production, particularly manufacturing which declined for a fifth month in running – motor vehicle production dropped 2.4% q/q. Total production output fell by 0.4% in the month to November, taking the more familiar quarterly move to -0.8%. And to show it’s not a one-off, output would still have dropped by 0.7% had production managed its average 0.1% monthly increase. In contrast, both services and construction performed solidly. Overall, the latest GDP print adds to rising concerns over a sharper slowdown in domestic demand as Brexit looms.

Mind the gap. Confirming initial estimates, UK productivity slipped by 0.4% in Q3 compared to the previous quarter. On an annual basis, it registered the slowest growth in two years of 0.2%. The post-crisis decade long productivity gap (before which growth increased at 2.5%) has been attributed to a combination of low skilled workers and falling business confidence coupled with micro-economic factors. Not an easy one to solve! Leaving the EU also potentially means trans-national supply chains become a little more sticky. Yet another challenge to productivity.

Mixed bag. Liverpool & Man City have done the North West proud as they top the Premier League. Similarly, the latest monthly NatWest regional PMIs revealed the North West topped the growth tables for output and employment in December. It also posted the strongest rates of job creation in Q4 and for 2018. On the output front, however, the honours go to the East Midlands, with Northern Ireland runner-up. The North East, however, remains in the 'drop-zone': output and employment fell at their fastest rates since 2009. Overall, loss of momentum was a key theme in Q4, with all regions reporting slower rates of output growth or faster rates of decline. With 11 of the 12 regions also signalling slower new orders growth in Q4 – more of the same could occur in 2019.

It's all relative. According to the PMI surveys, NI was the second fastest growing region in the UK in Q4; although Q4 was NI's weakest quarter for output and orders growth in nine quarters. Manufacturing remains the star performer with output and employment growth accelerating in Q4. Indeed, December saw manufacturing firms grow their staffing levels at the fastest rate in over three-and-a-half years, and the last quarter marked the fastest rate of manufacturing output growth in over four years. Elsewhere the theme is one of slower or subdued growth and decline. Service sector output decelerated in each of the last five quarters with the latest period the slowest rate of growth in nine quarters. Meanwhile construction and retail posted outright declines in activity/sales in Q4. Significantly, NI remains the least optimistic UK region for the year ahead.

Frustration. A board game some have been playing over the festive period. The local business community has been playing this game for the last two years. They say absence makes the heart grow fonder. Northern Ireland sorely misses and desperately needs a devolved government with frustration mounting in the business community. That message is clearly evident in the latest NI Chamber and BDO Quarterly Economic Survey (Q4 2018). Almost 80% of businesses polled believe the lack of an Executive will damage Northern Ireland's economic prospects in 2019. Indeed, over half of firms predict this will impact negatively on their own businesses.

Brexit wounds. Manufacturing NI and Tughans' latest survey reveals that local manufacturing remains in rude health. Some 80% of firms polled were in growth mode. But the end of year report could be summed up with "could do better". A year ago 21% of businesses could see Brexit as being a success. This has slumped to 6%. Half of respondents believe Brexit will have a negative impact on their business with skills shortages a major barrier to growth. The loss of migrant workers (cited by 37% of firms) is compounding matters. One-fifth of firms are turning down new business / opportunities in response to labour shortages. Brexit is also a source of increased pessimism in the NI Chamber's survey. One-third of members have frozen growth / investment plans due to the Brexit with a similar proportion citing a negative impact on turnover / sales.

Patience. Latest comments from Fed Chair Powell were dovish, mirroring the message from December's FOMC minutes. Mr Powell stressed that patience and flexibility was now required given increased crosswinds facing the US economy from overseas and the recent tightening of financial market conditions. However, the latest buoyant employment report suggests that consumer spending, the main driver of US growth, will continue to grow at a decent clip in coming months. Still, with inflation modest and rising concerns about the global economy, the Fed looks increasingly likely to pause for breath.

Cooling off. The US ISM non-manufacturing index read 57.6 in the last month of 2018, down 3.1 points from November. The decline was driven by supplier delivery times and business activity, in line with the slowdown in the services sector which had seen a robust growth in 2018 and is now impacted by weak economic growth. Although the supplier delivery time saw the biggest drop in the decade, new orders rose to a 6 month high. This suggests that the services sector is not impacted by the trade tensions and hence activity index can rebound in 2019.

Tame. US inflation edged down in December, driven by lower oil prices, but the annual rate flatlined at 1.9%, the lowest rate since August 2017. However, the core rate (excluding volatile food & energy components) posted a 2.2%y/y rise in December, unchanged from November. Goods inflation remains subdued thanks largely to the US Dollar's recent strength, but service inflation edged higher on an annual basis, on higher wage costs.

Weak. This was supposed to be the decade that saw the end of "cheap China". Years of falling prices were to give way to rises as the labour costs climbed. It hasn't turned out that way. Export price growth has rarely been in positive territory over the past seven years. And now there are fears of a return to outright declines in producer's prices, similar to that seen from 2012 – 2016. Prices rose a mere 0.9% last month. With consumer price rises also on the soft side (1.9%y/y) it will give the authorities scope to ease policy. But central banks elsewhere will note that it'll likely keep a lid on global price gains, too.

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