**Theresa May conceded for the first time Parliament would be given a vote on extending Article 50, or a no deal Brexit if the PM's "meaningful vote" on March 12th is rejected. The betting markets cut the chances of a no deal exit at the end of March in response and EU figures indicated that some form of delay was inevitable. Meanwhile, MPs grilled the BoE on what it would do in the event of a no-deal.**

**A three-ring circus.** Brexit-led uncertainty – a term repeatedly used since the referendum – has consistently eroded business sentiment and, in turn, the UK's growth prospects. This conclusion was unanimously echoed at the Treasury Committee's hearing on the Inflation Report by the three MPC witnesses including the BoE governor Mark Carney. With a coinciding global economic slowdown, the UK faces a double whammy. Inflation has weakened but the tightening labour market resists. Will domestic pressures warrant rate hikes? A disorderly Brexit may lead to monetary policy being paused or even eased. Alternatively, there might be a deal, global growth could recover and voila, policy tightening.

**"Stack 'em, pack 'em, and rack 'em".** That was a line from an air-traffic controller in the movie Die Hard 2. But it also chimes with UK manufacturers. Last month's UK manufacturing PMI survey saw firms stockpile raw materials at another record rate to guard against potential Brexit-related disruptions. This helped keep the headline PMI in expansion territory (52.0), albeit a four-month low. The outlook looks much more challenging. Export orders fell for the fourth time in five months while new orders flirted with stagnation. Manufacturers' optimism regarding future output slid to a series low.

**Is this it?** Borrowing growth amongst UK SMEs peaked in September 2016 at a rather lowly 2.1% and has fallen ever since, spending most of 2018 close to zero. But that trend might be on the turn. January saw a 0.5% rise in borrowing by SMEs. Is it a sign of a long-awaited pick up in investment spending? Or perhaps the side effects of stockpiling ahead of Brexit? Either way, larger firms have been getting in on the act too, albeit at rather larger scale. Lending to corporates was 6.4% higher in January than the previous year, a new post-crisis high, led by manufacturers amongst others borrowing more. Increasing use of overdrafts points to this probably being a temporary phenomenon.

**Place apart.** 2018 marked a year of multi-year highs for the local housing market. Last week the same theme was evident with UK Finance's annual mortgage figures. The national picture was one of stagnation, but at a regional level NI was the star performer. There were 17,100 loans advanced for house purchase in 2018 – an eleven-year high and up 7.5% relative to 2017. The first-time buyer (FTB) segment remains the dominant market accounting for 61% of loans for house purchase. The FTB market recorded annual growth of over 9% and surpassed the 10,000 loans mark for the first time in fourteen years. This compares with 6.5% y/y for the home-mover market with 2018 marking an eleven-year high. Remortgage activity is also on the rise with growth of almost 12% y/y.

**Push and pull**. Net migration to the UK was an estimated 283k in the year to last September. That's below the 336k peak seen in the year to June 2016 but above the ten-year average. It's now a familiar trend – EU migration continues to edge down (now at its lowest since the financial crisis) while non-EU migration is on the rise, up around 30% in two years.  Since the referendum those arriving with a definite job has fallen a little but the those arriving "looking for work" is down by almost a half. And for the first time since those counties jointed the EU in 2004, migration from Central & Eastern Europe is negative.

**Family fortunes.** Anyone know the annual disposable income of a UKfamily bang in the middle of the income distribution? That's right. It was £28,400 in 2017/18, up 2.2%y/y but unchanged after inflation. What you may not realise is the bunching. Around 40% of households have annual income between £16,000 and £26,000, about 25 million souls. So an extra £10,000 p.a., say someone returning to work, shifts you from 2$^{nd}$poorest income decile to 6$^{th}$ richest. There's less bunching at the top. And, after six years of barely moving, income inequality widened in 2017/18, in large part due to lower redistribution and not just runaway wages at the top.

**Ebbing**. Following the previous two months' trend, China's manufacturing PMI continued to contract in February. The official figure came in at 49.2, below the 50-point level separating expansion from contraction. The trade war and domestic headwinds pushed business sentiment to a 3yr low; export orders fell to their lowest since the financial crisis. Meanwhile, the 'Caixin' manufacturing PMI, a private survey focusing on smaller businesses, told a similar story, registering a figure of 49.9 in February compared to 48.3 in January. Both surveys are consistent with a continued slowdown in China.

**Worth the wait.** The recent partial US government shutdown delayed Q4 2018 GDP estimates for almost a month. In the event US GDP grew by 2.6% (annualised) in Q4, 0.4% above market estimates. US growth is gradually softening from a peak of 4.2% in Q2 and 3.4% in Q3, suggesting that fiscal stimulus is wearing off, although the US economy had similar seasonal peaks in growth in Q2 since 2015. Overall, strong 2018 growth of 2.9% is unlikely to be repeated in 2019.

**Disappointment**. The US ISM manufacturing index dropped from 56.6 in January to 54.2 in February, a 2yr low and below market expectations. New orders, production and employment all fell last month but remain in expansion territory. Meanwhile, housing starts dropped 11.2% in December to the lowest level since 2016 – further evidence of weakness.

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