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Commenting on UK GDP data released today, Neil Williams, Chief Economist at Hermes Fund Managers, said:

“The UK’s ‘sugar rush’ recovery continues, with, at 1.9% yoy, 2013 giving the fastest full-year growth since before the crisis. This is encouraging, but with CPI inflation about to undershoot target, the recovery not yet broad-based enough, and the MPC (rightly) concerned more about GDP levels than growth rates, a rate hike any time soon would be premature.

“Unemployment may now be a hair’s breadth away from Dr Carney’s 7% threshold, but guidance could well be a ‘red herring’. Is he really going to initiate a sequence of rate increases at a time when inflation is being led more by cost-factors that hit us in the pocket, such as utilities and travel costs, than the feel-good, demand-factors that drive us to the shops, and, also when real wages are still deflating?

“Added to that, the UK’s biggest trading partner, the euro-zone, is still not fixed. In short, there may be green shoots, but these shoots need watering by more cheap liquidity, especially as the euro-zone’s dark cloud lingers overhead.”

-ENDS-

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Notes to Editors:

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